



MDRT

The Premier Association
of Financial Professionals®



FINTECH AND ADVISORY TRENDS AMONG U.S. CONSUMERS AND FINANCIAL SERVICES PROFESSIONALS

Introduction

Nearly 15 years after the start of the Great Recession, and more than two years since the start of the ongoing COVID-19 pandemic, American consumers are balancing an increasing number of financial priorities and goals. At the same time, they are bombarded with nonstop, sometimes contradictory, financial information and recommendations on what to do with their money.

It's not just the pandemic. COVID-19 was a stark reminder of our mortality, and many Americans did take reactive steps to protect their family finances in case of early death or disability. But as consequences of other, longer-term societal shifts come to the forefront, the American public faces a vastly changing personal finance landscape.

The ubiquity of social media has made platforms from Facebook and YouTube to Discord and TikTok go-to sources for financial information — and misinformation. The upswing of various social justice movements, the growing diversity of the U.S. and a hyperpolarized political environment have all powered the rise of ESG and religious investing.

The end of over a decade of low inflation and a housing market that went into overdrive overturned many Americans' budgets and financial goals. On the fringes, alternative investments like cryptocurrencies hope to take advantage of faltering faith in the traditional model of retirement planning as income inequality worsens.

In this chaotic time, the guidance of a qualified financial advisor armed with technological assistive tools is more important than ever. Americans with financial advisors largely agree that financial experts are a critical source of verified information on finance and investing. MDRT is providing this report as a tool for MDRT members and other financial advisors so they know how to effectively help their clients. As the world swirls around them, Americans who can depend on a financial advisor have an extra layer of security as they work to secure a comfortable retirement for themselves and a financial head start for their children.

This report represents a deep dive into an array of FinTech trends impacting Americans across demographic lines, along with the perspective of financial advisors on FinTech-related and other professional topics. We hope the information contained within gives you greater insight into the challenges your clients and their children may be facing. Armed with that insight, we hope you can give clients even better advice and further the MDRT values of excellent client service and top-level knowledge.



MDRT The Premier Association
of Financial Professionals®

Overview

MDRT Research: FinTech Solidification, Successes and Sore Spots

4

We investigate the findings of an MDRT survey on consumer beliefs, expectations and desires around FinTech, robo-advisors and related topics.

Ongoing Impact, Trends, and Issues of FinTech on the Financial Services Industry

11

A compilation of selected non-MDRT research on the growing impact of FinTech on financial advising and insurance.

MDRT Research: A Look Back at Advisor Expectations for 2022

16

We investigate the findings of an MDRT survey of financial advisors on what investment, insurance and financial trends they expected to discuss more with clients in 2022, as well as their adoption of various examples of FinTech.

Recent Surveys of Insurance Agents and Financial Advisors

23

A compilation of selected non-MDRT research on job satisfaction, FinTech adoption, the growth in independent agents and other professional trends in financial services.

MDRT RESEARCH: FINTECH SOLIDIFICATION, SUCCESSES AND SORE SPOTS

Financial advisors, insurance agents, market analysts and more have all thoroughly documented the ongoing rise of FinTech in both the financial services profession and the wider financial sector. **As clients' technological expectations rise and robo-advisor platforms gain more users, financial advisors and insurance agents alike must keep up with wider societal trends to remain relevant in the eyes of their future prospects.**

To examine the latest consumer developments within these trends, MDRT conducted an online survey of 1,187 U.S. adults in January 2022. The survey revealed that American consumers have fully embraced the FinTech revolution – and they expect any advisors who haven't to catch up. Social media as a source of financial news is here to stay, and clients want to hear more about which technologies advisors use to keep communications open, financial projections accurate and client data safe.

Crucially, robo-advisors are also likely here to stay, but their future is not necessarily to replace human advisors. Most robo-advisor users report having a human financial advisor as well, meaning these platforms may end up simply becoming the tech-savvy advisor's next supplemental tool.

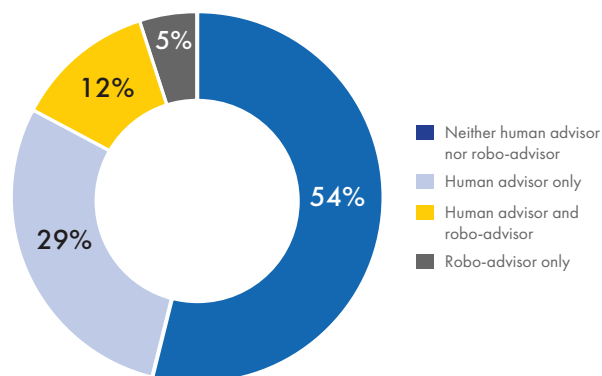
Deus Ex Machina? Humans vs. Robots

The threat posed to human financial advisors and insurance agents by robo-advisors has earned an increasing amount of attention in recent years. As the story goes, consumers will spend more and more of their time online, forsaking physical reality as much as possible as every imaginable service becomes

available with a tap of the finger. It's not just a fantasy gone wild, either – it's a genuine gamble businesses are making for the long-term, most notably Facebook parent Meta with its eponymous metaverse. Of course, the reality, applied to financial services at least, is much more nuanced. In fact, a full picture of our FinTech survey results reveals plenty of room for human and robo-advisors to coexist.

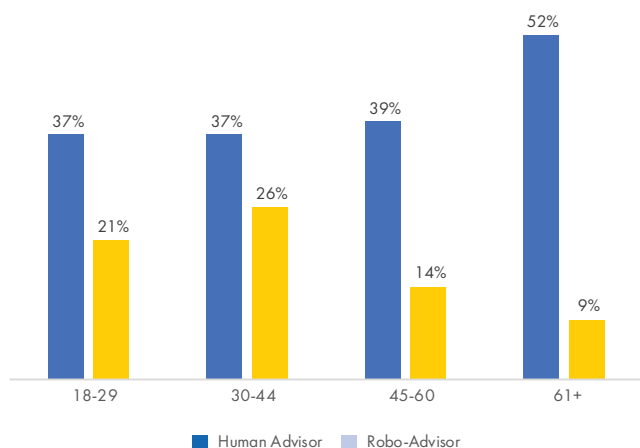
Forty-one percent of survey respondents reported having a human financial advisor, including 45% of men and 38% of women. There was only a slight correlation with age: 52% of respondents over the age of 60 said they had a human advisor, compared with 39% of 45-60-year-olds and 37% each of 30-44- and 18-29-year-olds.

HOW AMERICANS MANAGE THEIR FINANCES



In contrast, **only 17% of survey respondents reported using a robo-advisor platform**, including 21% of men and 14% of women. Age was more clearly a factor in robo-advisor use, with 26% of 30-44-year-olds and 21% of 18-29-year-olds reporting they use one. In contrast, only 14% of

AMERICANS' USE OF HUMAN AND ROBO-ADVISORS BY AGE



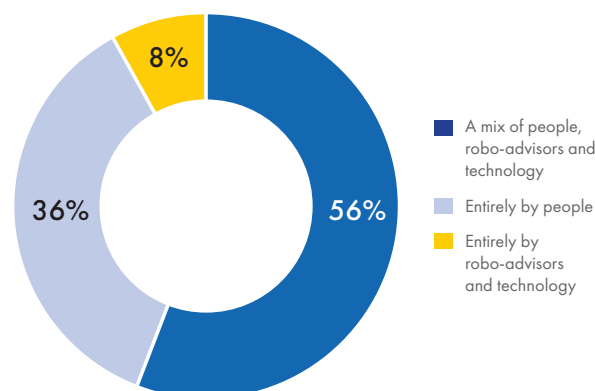
45-60-year-olds and just 9% of respondents over 60 said they use a robo-advisor. Clearly, younger generations find more value in these platforms than their older counterparts. A full 65% of robo-advisor users are under the age of 45, whereas 56% of human advisors' clients are 45 or older. But crucially, this rising trend does not seem to be denting younger Americans' use of human advisors' services.

Indeed, our survey found that **69% of robo-advisor users also retain a human financial advisor, constituting 12% of all Americans. This means that only 5% of Americans use a robo-advisor platform alone to manage their finances.**

Looking at these stats the other way around, 29% of all human advisor clients use a robo-advisor platform. Robo-advisor users are not the future of financial services, nor are they prospects human advisors will only eventually have to woo. They are the present and already make up a substantial part of the financial services profession's client base.

The increasing convergence of human and technological options is also evident in how Americans say they want their money managed. A 56% majority of Americans say they want their finances handled by a mix of people, robo-advisors and other technological

HOW AMERICANS WANT THEIR PERSONAL FINANCES MANAGED



tools. Another 36% of Americans say they want their finances handled entirely by people. Only 8% of Americans say they want their finances handled entirely by robo-advisors and other technological tools.

Importantly, all three of these statistics hold up across demographic lines, with no statistically significant differences in opinion between Americans with and without human advisors, robo-advisor users versus non-users or men versus women. There are small differences between age groups, with 18-29-year-olds slightly more likely (17%) to say they want their finances handled entirely through digital means. Still, 84% of 18-29-year-olds say their finances should be handled by either a mix of human and digital means, or entirely by people. Similar findings were also reported by a [2022 Vanguard study](#)¹.

Benefits and Concerns: Human Advisors

A key driver behind Americans wanting both human and technological oversight of their finances is that they see human and robo-advisors having complementary strengths and weaknesses. In the eyes of the American public, human and robo-advisors have the potential, at least, to bring unique assets to the table and make up for each other's possible shortcomings.

The top three benefits Americans see in working with human advisors over robo-advisors are the opportunity to establish trust and build a relationship (chosen by 66% of survey respondents), ease of communication (65%) and high levels of human interaction (49%). With one exception, these are also the top three benefits of each individual age group.

There are small differences in how strongly different generations believe in these advantages for human advisors. For the opportunity to build trust and relationships, and ease of communications, about three in every four Americans over 60 identify these as benefits of working with human advisors, while only about six in ten 18-29-year-olds do. Similarly, 56% of Americans over 60 identified a high level of human interaction as a benefit of human advisors, while only 42% of 18-29-year-olds did.

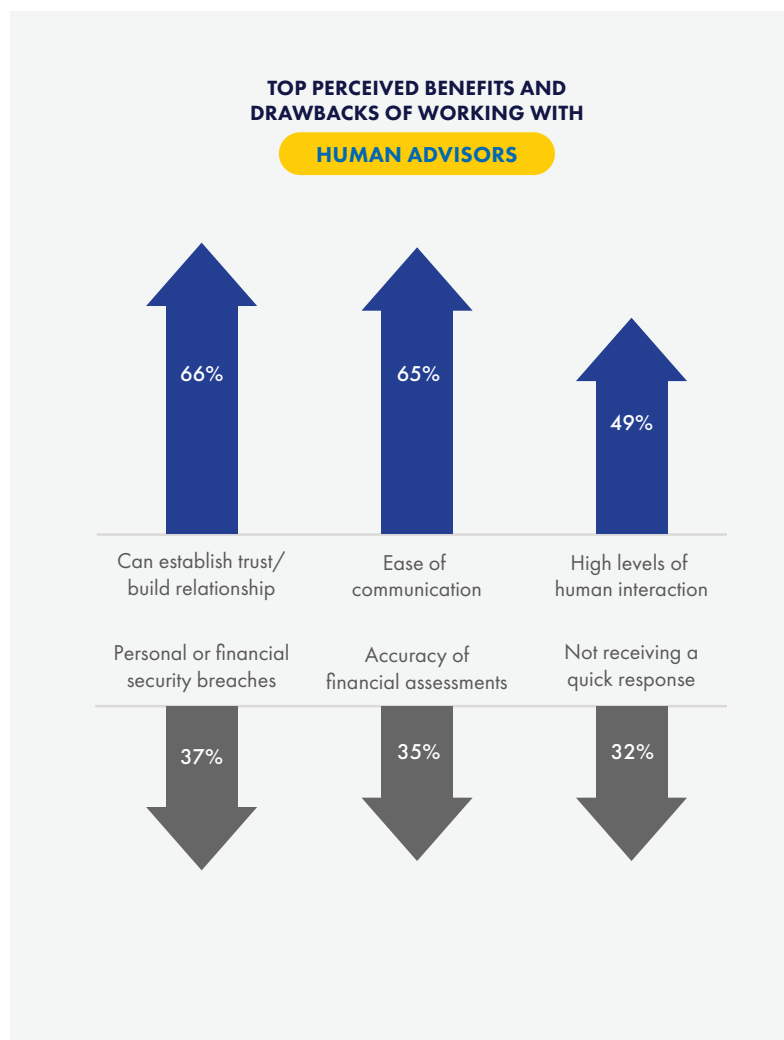
The one exception mentioned above is that 60% of Americans over 60 also named “a variety of communication channels” as a benefit of human advisors over robo-advisors. In contrast, only 31% of 18-29-year-olds did the same. This reveals two important considerations for financial advisors: first, **“ease of communication” was likely read by survey respondents as referring to emotional intelligence, interpersonal communication skills and other human traits.** It’s likely that the COVID-19 pandemic made these qualities *even more important for human advisors to have*². Second, while clients and prospects usually prefer that advisors use multiple communications platforms (as we will explore later), that does not mean they necessarily want to hear from their advisor on every platform they use.

Contrasting the broad endorsements of human advisors’ strengths, public concerns about their performance are relatively muted. **The top concerns Americans have about human advisors compared to robo-advisors is personal or financial security breaches, selected by 37% of survey respondents, followed by the accuracy of**

financial assessments (35%) and not receiving a quick response to messages (32%). However, there is less consensus between age groups in this area, and the concerns of Americans over age 60 especially diverge from those of other generations.

Younger Americans are more concerned about the accuracy of human advisors’ financial assessments, with 41% of 18-29-year-olds, 40% of 30-44-year-olds and 35% of 45-60-year-olds indicating concern compared with less than 3 in 10 Americans over 60. Older Americans are also less concerned about personal or financial security breaches, with only 3 in 10 listing breaches as a concern about human advisors compared to 4 in 10 Americans 60 and younger.

Cost is also a concern for about 1 in 3 Americans 30 and older. Finally, 30% of Americans over 60 are



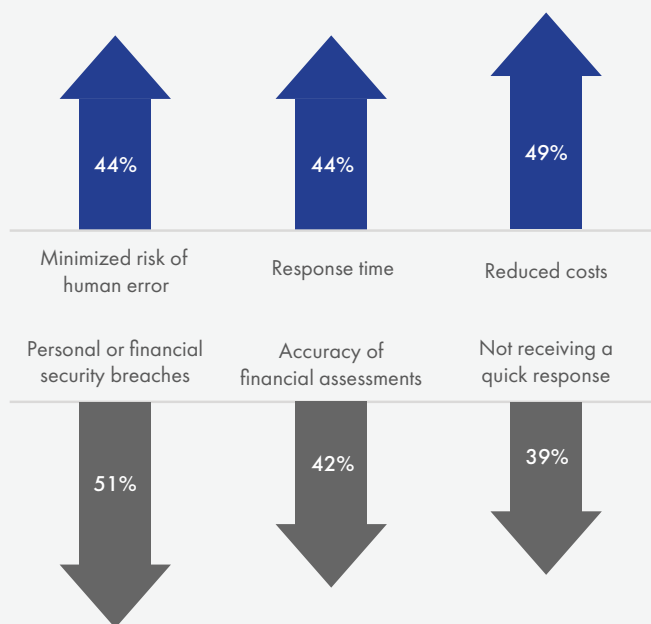
also concerned about the ethical standards of human advisors. These concerns about costs and ethics are likely the result of older practices of charging clients per market transaction, combined with charging commissions on insurance products, all while governed under previous regulatory guidelines. Younger Americans are *less likely to have encountered financial advisors operating in that paradigm*³, which may be why they show less concern about these topics.

Benefits and Concerns: Robo-advisors

Fewer Americans see benefits to using robo-advisors over human advisors than vice versa, but the benefits that are seen correlate with the perceived weaknesses of human advisors. **The top three named benefits**

TOP PERCEIVED BENEFITS AND DRAWBACKS OF WORKING WITH

ROBO-ADVISORS



of robo-advisors are minimized risk of human error, selected by 44% of survey respondents, response time (44%) and reduced costs compared to human advisors (38%). Overall, younger generations are more likely to see benefits to robo-advisors, and it appears that digital nativity plays a role in these perceptions.

For instance, 52% of both 18-29-year-olds and 30-44-year-olds see the minimized risk of human error as a benefit of robo-advisors, compared with 42% of 45-60-year-olds and just 32% of Americans over 60. This may indicate a higher level of knowledge of, and perhaps confidence in, the prevalence of machine learning to analyze large datasets among younger generations. Furthermore, 47% of 18-29-year-olds, 49% of 30-44-year-olds and 46% of 45-60-year-olds named response time as a benefit of robo-advisors. Only 33% of Americans over 60 did the same, showing a clear generational divide that likely correlates to use of technological tools like internet search engines and social media platforms that can provide more instant gratification.

Two findings place 18-29-year-olds apart from older Americans in their evaluation of robo-advisor advantages. **First, fewer than 30% of 18-29-year-olds list reduced costs as an advantage of robo-advisors over human advisors.** This is likely due to Americans in this age group having less experience with financial advisors charging fees on a per-market-transaction basis. Some human financial advisors also retain *pro bono clients*⁴, who are more likely to be younger due to wealth usually requiring substantial time to build.

The second important difference between 18-29-year-olds and other Americans is that **33% of this youngest age group sees minimal human interaction as an advantage of robo-advisors over human advisors.** This means the psychological basis for robo-advisors replacing

human advisors is, perhaps, present in a decent number of younger Americans. However, fewer than one in five 18-29-year-olds say their finances should be handled through entirely digital means. This seems to indicate there are a substantial number of younger Americans who might, for now at least, want human eyes on their money without having regular contact with a financial advisor.

Americans have stronger concerns about robo-advisors' weaknesses than faith in their strengths, but those concerns do not always correlate to belief in human advisors' capabilities. In fact, **the top concern Americans have about robo-advisors is the same one they have about humans: personal or financial security breaches**, with 51% of Americans indicating this. While concerns about robo-advisors are stronger than concerns about their human counterparts, this does underscore the importance of cybersecurity for all financial services professionals.

The other top concerns about robo-advisors are minimal human interaction (42%) and hard-to-understand financial plans or terminology (39%). Worries about minimal human interaction are especially strong among Americans over 60, of whom 60% express this concern, far outstripping any other age group. Concerns about financial jargon, on the other hand, are much more evenly distributed across age groups.

Younger Americans are also more worried about the accuracy of financial assessments, with 36% of 18-29-year-olds and 35% of 30-44-year-olds sharing this concern. Notably, the gaps between the numbers of these Americans with this concern about robo-advisors and human advisors are not statistically significant. This indicates a deeper level of skepticism among younger Americans – toward financial services, the financial markets or, perhaps, even capitalism itself. All financial services professionals will need to prove to clients, younger clients specifically, that they can back up the predictions and projections they make about the future.

Human Advisors' Technology Use

Americans' assessment of the pros and cons of both human and robo-advisors produces a relatively rosy picture for human professionals. However, there are some gaps between Americans' technological expectations for their financial advisors and client awareness of human advisors actually using such technology.

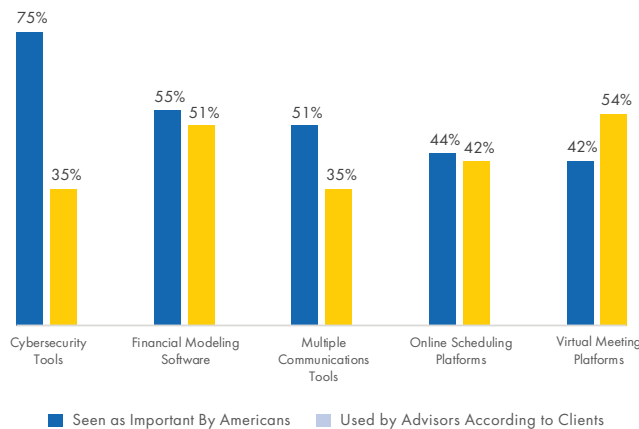
By far, the biggest gap pertains to cybersecurity. **A full 75% of Americans say it's either extremely important or very important for human advisors to use cybersecurity tools like password managers or two-factor authentication (2FA). However, only 35% of human advisors' clients report that their advisor uses such tools.** While it's unlikely that most human advisors are unprotected in their adventures through cyberspace, as other tools like firewalls are more common, this does highlight a communication gap some advisors may not have been aware of previously.

Communication itself is another place where Americans have higher expectations of their human advisors. A 51% majority of Americans say it's extremely or very important for human advisors to use tools like email, social media, instant messages, webinars and videos to increase communications. Again, only 35% of clients report their advisor doing so. This is not to say that human advisors must communicate with every client on all these platforms. Rather, clients have varied preferences for communication platforms. **As more millennial and Generation Z adults, especially, seek out human advisors, human advisors must be able to meet new clients on the platforms they already use.**

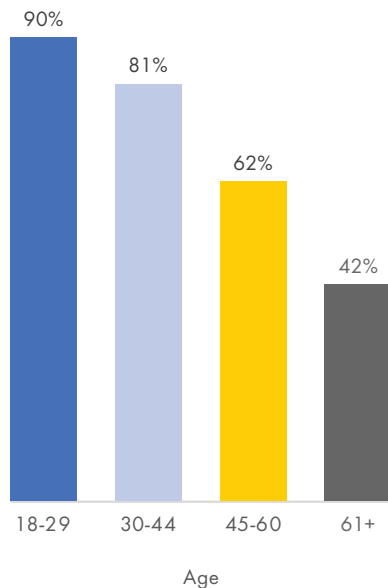
Human advisors have done better to meet consumer expectations with other technological tools. Just over half (51%) of clients report their human advisor uses financial modeling software, and 55% of Americans find usage of such technology extremely or very important. Similarly, 40% of clients say their human advisor uses online scheduling platforms, and 44% of Americans find that technology extremely or very important.

Finally, 54% of clients say their human advisor uses platforms like Zoom or Teams for hosting virtual meetings, even though only 42% of Americans say this is extremely or very important. However, it should be noted that 52% of human advisor clients said they expected at least half of their meetings with their advisor to be virtual in 2022.

WHICH FINTECH TOOLS AMERICANS SEE AS IMPORTANT FOR ADVISORS TO USE VS. WHICH FINTECH TOOLS CLIENTS REPORT ADVISORS USING



AMERICANS WHO USE SOCIAL MEDIA TO LEARN ABOUT FINANCE AND INVESTING BY AGE



Social Media and Financial Advice

As uncomfortable or even horrifying it might be to many human advisors, 68% of Americans say they use at least one social media platform to learn about finance and investing. These numbers predictably vary by age group: a full 90% of 18-29-year-olds say they turn to social media for financial and investment knowledge, compared to 81% of 30-44-year-olds, 62% of 45-60-year-olds and just 42% of Americans over 60.

Many advisors are rightfully concerned about the proliferation of financial misinformation and the surging number of financial scams on social media platforms. Some of these issues are presented by [wealthy, unqualified and, in many cases, simply lucky financial influencers](#)⁵ handing out stock-picking or alternative investment advice to younger, impressionable audiences. In worse cases, social media users can find themselves caught in financial scams. In the worst cases, those scams can involve victims investing their own money into fake or fraudulent [cryptocurrency or non-fungible token \(NFT\) schemes](#)⁶, in which case there may not be the necessary regulations in place to help victims seek any legal recourse for their losses.

Across all age groups, Facebook, Instagram and YouTube rank in the top four social platforms used to learn about finance and investing (though not necessarily in that order). Among Americans overall, the top four platforms are Facebook (used by 37% of Americans to learn about finance and investing), YouTube (35%), Instagram (29%) and LinkedIn (18%). No other platform breaks the 20% threshold among Americans as a whole.

Unsurprisingly, a much more varied landscape emerges when looking at just 18-29-year-olds, with nine different platforms attracting at least 20% of that age group to learn about finance and investing. The top four platforms for 18-29-year-olds are Instagram (48%), Facebook (45%), YouTube (40%) and TikTok (31%), the last of which has [a thriving #FinTok scene](#)⁷.

Other platforms to reach the 20% threshold with 18-29-year-olds include Reddit (28%), Twitter (26%), Snapchat (23%), Discord (21%), a Voice over Internet Protocol (VoIP) and instant messaging social platform, and LinkedIn (20%). The only two platforms not to reach the 20% threshold were Pinterest (17%) and Twitch (12%), a video livestreaming service well-known in the videogaming world.

The landscape consolidates somewhat among 30-44-year-olds, who nevertheless have spread themselves out across platforms. The top four social platforms this age group uses to learn about finance and investing are Facebook (45%), YouTube (44%), Instagram (38%) and Reddit (24%). The other platforms reaching the 20% threshold with this group are LinkedIn (23%), Twitter (22%) and TikTok (21%).

Platform consolidation sharply accelerates among 45-60-year-olds, of whom 38% say they don't use social media to learn about finance or investing at all. The top four platforms for this age group are Facebook

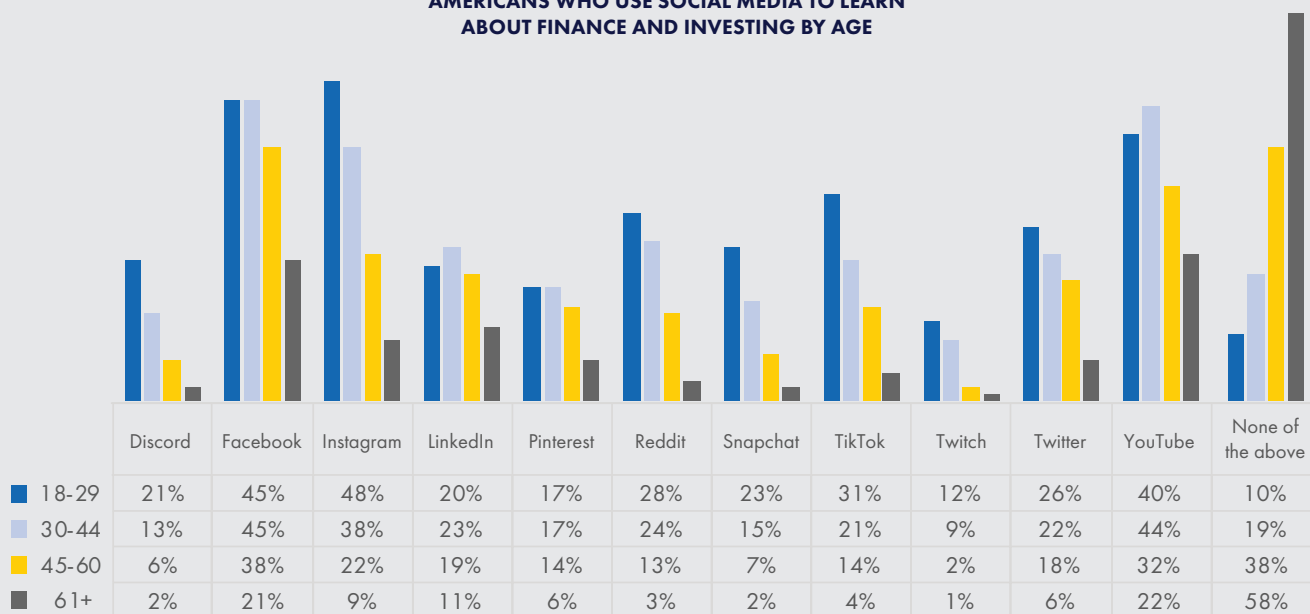
(38%), YouTube (32%), Instagram (22%) and LinkedIn (19%). No other platforms reach the 20% threshold.

Finally, among Americans over 60, a 58% majority say they do not use social media to learn about finance and investing. Among the minority who do, the top four platforms are YouTube (22%), Facebook (21%), LinkedIn (11%) and Instagram (9%).

To be clear, these statistics do not mean that financial advisors should rush to join every social media platform they can. Indeed, given how many such services work, there would not be much utility derived from any single advisor adding their voice to the din. Rather, advisors must focus on educating their clients on how to recognize scams and financial misinformation in online spaces.

FinTech has irrevocably changed financial services, and the changes continue to unfold in interesting and unforeseen ways. For advisors behind the curve, now is the time to catch up if they want to stay competitive in the online-first, fully digitalized environment that has, in many ways, already arrived.

AMERICANS WHO USE SOCIAL MEDIA TO LEARN ABOUT FINANCE AND INVESTING BY AGE



ONGOING IMPACT, TRENDS, AND ISSUES OF FINTECH ON THE FINANCIAL SERVICES INDUSTRY

Generations Defined

Year born		Age in 2022
after 1996	Gen Z	≤ 26
1981 – 1996	Millennials	27–41
1965 – 1980	Gen X	42–57
1946 – 1964	Baby Boomers	58–76

The adoption of FinTech, like many other digital transitions, has been accelerated by the COVID-19 pandemic. This shift is bringing substantial and, likely, permanent change to the way financial service consumers and financial advisors communicate, analyze, plan, monitor, assess, and manage investments in the wake of the pandemic and beyond.

Where do investors get their financial advice?

The pandemic initially increased overall investor interest in seeking professional financial advice. When the stock market was still reeling, jobless rates were soaring, and people were adjusting to social distancing, [Vanguard](#)¹ conducted a

survey in May 2020 indicating that every generation was interested in receiving professional financial advice in the future. Gen Z topped the list at 81%, followed by millennials at 76%, Gen X at 64%, and young baby boomers (64 years old or younger) at 60%. Asked how the pandemic had affected their interest in getting professional advice, 37% said they were more interested, with the two younger generations topping the list again: Gen Z at 49%, millennials at 46%, Gen X at 31%, and young baby boomers at 26%. Huddled in their homes, everyone was worried about their financial future.

Once the stock market rebounded and people became more accustomed to the pandemic, their interest in seeking professional financial advice leveled off. A tracking poll by [Morning Consult](#)² of American investors between August 2020 and May 2021 indicated that while investors of all ages were seeking many external sources for investment guidance, **the share going to traditional financial advisors had not changed much.** Those citing financial planners in May 2021 had increased by just one percent, rising to 18%, and those citing brokers fell by one percent to just seven percent.

Friends and family topped the list as a source of financial advice at 34%, an increase of 11% over August 2020. Online investment articles (25%) and news (23%) were next, showing increases of five percent each. Websites about investing had declined by three percent to 21% of respondents. Just below this, **18% of respondents said they used social media to learn more about investing, a four-point increase since August 2020.**

The Rising Impact of Social Media

As one would expect, the importance of social media as a source of financial and investment information and learning is most important with younger investors. The Morning Consult tracking poll indicated that between a quarter and a third of Gen Z adults and millennials (defined in the poll as ages 21 to 40) said that Facebook (33%), Instagram (32%), Reddit (29%), TikTok (29%) and Twitter (27%) have had a major or minor impact on their financial decisions, which is roughly in line with the share who said a broker (28%) has influenced their choices, but less than financial planners (43%).

The percentages for all respondents who have used social media as a source of financial information is lower, but still significant: Facebook (21%), Instagram (17%), Reddit (16%), Twitter (15%) and TikTok (13%). However, **the percentage of all respondents who said a broker (28%) or a financial planner (42%) had been influential were nearly identical to those of Gen Z and Millennials.**

Equally interesting is that **the share of active Gen Z investors who use social media (57%) is significantly higher than their non-investor peers with no market investments (49%).** This suggests that younger investors are more engaged with digital platforms and may expect the same of their present and future financial advisors.

While many financial advisors may not be interested in Gen Z as their primary client demographic, they should be aware that **this generation has not only demonstrated financial literacy well above past generations, they are very interested in investing – in large part due to the impact of social media.** According to a survey of 1,290 American teens aged 13 to 17 conducted by the financial services company Step³ in April 2021, 70% knew what a credit score is, 56% were aware of cryptocurrencies, and 55% said they understood how the Biden administration's American Rescue Plan pandemic stimulus bill works. Moreover, **97% believed that financial literacy is important.**

The Rising Impact of Robo-Advisors

Investors have, in recent decades, had two choices for managing their investments: working with a financial advisor, or doing it themselves through an online broker. **With the advent of robo-advisors, there's a third option, to merge the benefits of professional money management and advice with the convenience of a digital application.**

Since launching more than a decade ago, **robo-advisors have evolved⁴ into sophisticated, fully automated investment programs with self-learning algorithms to provide automatic asset shifts for millions of investors.** In 2020, robo-advisors had \$460 billion assets under management (AUM), an increase of 30% over 2019. Estimates for robo-advisor AUM growth range as high as \$16 trillion by 2025.

The growth of robo-advisor AUM among leading investment companies⁵ in 2021 was noteworthy. Betterment grew its AUM from approximately \$18 billion in 2020 to over \$28 billion by April 2021. Schwab experienced 51% growth in

Robo-advisors provide financial advice and automated investment management online based on artificial intelligence (AI) and machine learning technologies, and mathematical algorithms designed by financial advisors, investment managers and data scientists, which are coded into software programs. These programs automatically allocate, manage and optimize client assets for either short-run or long-run investment based on initial client profit-risk input and do not require a human advisor. Robo-advisors are now categorized based on the extent of personalization, discretion, involvement, and human interaction.

digitally advised assets over the same period, and Vanguard added \$70 billion in robo-assets from the end of 2019 through the first quarter of 2021. Goldman Sachs also launched its own robo-advisor – Marcus Invest – in February 2021, which includes a socially responsible investing option, a low advisory fee of 0.35%, and a low minimum investment of \$1,000.

FinTech solutions provider JustCoded published a list of benefits and limitations for robo-advisors that help explain their remarkable growth. **For consumers, the benefits include 24-7 accessibility, convenience, low fees, small initial investment requirements, exceptional tax-harvesting, and objectivity.** Some experts claim the tax harvesting capabilities cannot be matched by human advisors.

For financial firms, the primary advantages include administrative cost-cutting (salaries and facilities) and the opportunity to serve millions of clients with lower income and less investment background. The rapid growth of robo-advisor customers is proof of the latter point.

The threat that individual human financial advisors see in this trend is somewhat moderated by the limitations of robo-advisors, although it does suggest that the human role will necessarily evolve (see page 5).

Most importantly, robo-advisors provide less personalization since they are programmed to follow specific investment models based on customer objectives and risk-profit profiles. Some robo-apps perform measurably better when markets are stable; serious fluctuations and high-risk investments can be a problem. Program performance is limited by the quality and quantity of user input, and seasoned investors with sophisticated needs and requests often find robo-advisors inadequate. Finally, robo-advisor developers are under constant pressure to keep their programs updated and robust.

These limitations have led to the **widespread development of fully integrated advisors**, which combine the benefits of robo-advisors with easy access

to human advisors when necessary. Charles Schwab Intelligent Portfolios and Vanguard Digital Advisor are two major examples.

Charles Schwab issued a survey in late June 2021 – [Investing & Technology Survey 2021](#)⁶ – that provides a deeper look at generational perceptions regarding FinTech and the impact of robo-advisors. Gen I is defined as investors who got into the market during 2020 and 2021; Seasoned Investors got into the market before 2020.

Asked if they could have a personal relationship with a financial company by interacting with them online or using mobile apps – without talking to a person – 74% of Gen I investors said yes compared with 49% of Seasoned Investors. Asked how they preferred to interact with their financial institution, 22% of Gen I investors said talking to a person; 48% said using technology and digital tools; and 30% said both equally. Seasoned Investors were more balanced, with 36% preferring talking to a person; 32% preferring technology and digital tools; and 32% preferring both options.

However, Gen I participants indicated a strong preference for professional human advice when it came to:

- Getting financial advice – **64%**
- Understanding my entire financial situation – **63%**
- Providing customer service support for account-related questions – **61%**
- Answering basic questions about my financial situation – **56%**
- Creating an investment portfolio personalized for me – **56%**
- Creating a financial plan – **55%**
- Maximizing my investment returns – **51%**
- Talking to a person when the stock market has large gains or drops – **45%**

35% of Gen I respondents said they believe technology would fully manage their investment portfolio within a year, compared with 15% of Seasoned Investors. In addition, 19% of Gen I Investors believed that no one would be using cash within a year, compared with 10% of Seasoned Investors. Finally, 45% of Gen I investors said they would adopt technology at a faster rate post-pandemic, compared with 29% for Seasoned Investors.

What technologies do clients expect/demand from financial advisors?

People expect the same seamless experience from their financial service providers that they get when ordering food delivery, summoning a car, or instantly streaming their favorite show.

A survey conducted in January and February 2021 by the [Money Management Institute \(MMI\)](#)⁷ and Aon, a London-based financial services firm, found that **overall client satisfaction is strongly linked to a wealth management firm's digital capabilities.** The more cutting-edge a wealth management firm's technology was perceived to be, the higher its client satisfaction: 84% who viewed their wealth manager as a leader in the use of digital technology said they were satisfied; 70% who viewed their firm as comparable to other firms said they were satisfied; and just 38% of those who saw their firm as lagging behind others said they were satisfied.

Respondents of the MMI poll said they considered an advisor's most important digital tools to be performance reporting and tracking toward financial goals; tools that enable easy communication with their advisor; and financial planning tools that forecast retirement income. However, 51% also said they wanted access to their advisor to answer their questions, while 34% said they preferred digital

interaction for the purpose of developing or refreshing their financial plan.

MMI also found that **advisors underestimated the importance of in-person interactions with their clients.** Advisor perception of client preference for in-person planning was 37% compared to clients' actual preference at 43%. When it comes to discussions about investment performance, advisor perception stood at 30% compared to actual client preference of 36%.

From an internal perspective, well over half of the millennial and Gen X financial advisors answering a 2020 [Broadridge survey](#)⁸ were thinking of leaving their current firm for one with better technology tools – 59% of millennials, 55% of Gen X. A majority of advisors also said that paperwork is the worst part of their job and stated their belief that they would get more clients' investments if they had better tech tools.

How are financial advisors evolving to take advantage of recent FinTech trends?

The lockdowns and social distancing required during the early days of the COVID-19 pandemic greatly accelerated the pace of FinTech adoption by both customers and financial advisors. This is creating higher expectations by consumers concerning their digital experiences with financial institutions and causing financial advisors to adapt and evolve faster than anticipated.

Leaders in the financial investment space are reevaluating the way they provide advice and service, gather and analyze market information, communicate with customers and prospects, and adapt to the rising importance of social media, robo-advisors and other digital tools. Social media is being embraced as a valuable tool for communicating with customers and monitoring market developments. Leading investment firms also recognized that the post-pandemic *modus operandi* will be a hybrid of digital and person-to-person services.

Leveraging Social Media for Delivering More Personalized Service

Connecting with clients and prospects through social media is an important way of building more personal relationships with clients and doing something that robo-advisors can't. Communicating via social media provides advisors with a means of understanding the emotional lives of their clients – their hopes, ambitions and disappointments. This not only makes the client-advisor relationship more fulfilling, it also leverages technology with a human touch to deliver personalized advice.

Many financial advisors have long since learned that social media is an invaluable tool for connecting and communicating with clients of all ages. The 2020 Broadridge survey indicated that 86% of Gen Z, 87% of millennials, and 60% of Gen X clients are comfortable having an advisor follow them on social media to offer a more customized experience. Even 20% of baby boomers agree. As for preferences, Facebook is the primary social media platform where millennials (66%), Gen X (46%) and baby boomers (15%) would feel comfortable with financial advisors following them. Gen Z prefers that advisors follow them on Instagram (53%), and 50% of millennials are also comfortable with Instagram.

In terms of sending messages to clients, 87% of millennials and 86% of Gen Z said they would be receptive to reading adviser communications on social media; 59% of Gen X and 18% of baby boomers were also amenable to receiving messages from their advisors.

Leveraging Robo-Advisors for a Hybrid Growth Dynamic

The rapid growth of robo-advisors over the past ten years has caused serious disruption and put enormous pressure on professional financial advisors to adjust in order to remain relevant. Yet, as mentioned previously, a majority of tech-savvy Gen Z and millennial investors still prefer direct contact with professional financial advisors for a host of more complex investment situations and questions.

Despite their many advantages, sophisticated AI/ML robo-advisors are simply nowhere close to replacing the value financial advisors can provide. Investors want it both ways – automated technology for their basic investment needs and professional advice whenever the need arises.

This explains the recent emergence of fully integrated, or hybrid, advisor systems: robo-advised portfolio management solutions with human guidance. As this trend gains traction, the takeaway from a 2018 [KPMG paper](#)⁹ still rings true: the big challenge for wealth management firms is how to adapt their operating models to optimize profitability without cannibalizing their full service models, all while meeting regulatory requirements for operating within a client's best interest.

KPMG notes that as the robo- half of these models take over the less complex investing functions, the full-service FA is necessarily evolving into more of a counselor based on a wealth of knowledge, trust, and experience in personalizing investment choices at critical junctures in client's lives. Many full-service FAs are focusing less on investing as they concentrate more on helping clients with complex topics such as "trusts and estates, divorce, lending, legacy and wealth transfer, healthcare and aging parents, retirement income, tax avoidance strategies, and sophisticated financial planning. Hybrid robo-advisors are the vanguard of a new way of providing customer-focused wealth management services, combining technology-driven innovation and traditional human wisdom."

MDRT RESEARCH: A LOOK BACK AT ADVISOR EXPECTATIONS FOR 2022

Between a changing investment landscape, increased digitalization of the financial services profession, regulatory updates and a rapidly shifting economic landscape, financial advisors and insurance agents are operating in an environment that is both more dynamic and more demanding than ever before. These factors have placed increased pressure on financial services professionals, with both clients and the public at-large expecting more as demands for advisors' attention increase.

To see how financial advisors are adapting to the many changes washing over the financial services profession, MDRT conducted an online survey of 400 U.S. financial advisors in November 2021. The survey, which was intentionally weighted to provide analyzable subsamples across generations, found advisors across demographic lines making steady, if uneven, progress toward a diversified and digital future.

The survey results also underline the continued unpredictability of global and economic conditions, from the COVID-19 pandemic to the housing boom and sharply increased inflation. All these trends and more reinforce the need for advisors to educate themselves on a variety of topics so they and their clients can be prepared for whatever comes tomorrow.

Advisors' Expectations of Investment Trends

In today's professional landscape, American consumers are turning to financial advisors for advice on an increasing number of topics, including alternative investments, insurance products and navigating misinformation. In turn, many advisors planned to offer

guidance on many topics outside a traditional financial advisor or insurance agent's wheelhouse in 2022. However, the expectations advisors had in November 2021 did not entirely match up with the reality of 2022.

Inflation

As a strong reminder that financial advisors are not blessed with the power of divination, only 20% of survey respondents expected to discuss inflation more with their clients in 2022 than they had in 2021. Not only was that figure likely a huge underestimate, it was also constant across advisors' generational, gender and racial lines.

As of September 2022, the U.S. inflation rate stood at 8.2%¹, with the overall 2022 rate higher than at any other point since 1982. But, unlike in the 1980s, corporate and U.S. Treasury bond yields do not offer investors protection against inflation. Instead, most real bond yields are well below zero, leaving investors little hope of using bonds to make up lost ground in the years ahead. There was, however, [some increased interest in government bonds](#)² due to the U.S. stock market's sharp decline in the first half of 2022.

The multiple causes of the rapid inflation spike are debated and likely will be for some time. [An analysis from the Federal Reserve](#)³ suggested that the size of COVID-related federal stimulus packages under President Joe Biden and former President Donald Trump contributed to inflation, though inflation has also risen in countries that did not provide substantial government stimulus during 2020 and 2021.

At some point, however, the inflation rate will almost certainly decline again. Gas will not always be five or six dollars per gallon, mortgage rates will decrease,

and food prices will probably fall at some point. But the sudden turn of economic fortunes shows the value in talking with clients about seemingly unlikely events.

Insurance

The COVID-19 pandemic caused a spike in interest from American consumers in a variety of insurance policies. The tragedy of over one million deaths from COVID-19 in the U.S., the tens of millions who needed medical attention, and the millions more who already have or will be left with long-term disabilities or care needs have all driven home the necessity of adequate insurance coverage. Financial advisors went into 2022 expecting greater discussion about a broad range of insurance products with their clients.

A 62% majority of survey respondents expected to discuss health insurance with clients more in 2022 than they had in 2021. This may be a surprise to some, as [half of Americans have employer-provided insurance](#)⁴ and another 36% have insurance through Medicare, Medicaid, the Children's Health Insurance Program (commonly referred to as CHIP) or the U.S. military. However, insight can be gleaned from a generational analysis. Only 44% of baby boomer advisors – whose clients are likely mostly baby boomers themselves – expected to talk more with clients about health insurance this year, compared to 75% of Generation X advisors and 61% of millennial or Generation Z advisors (millennials and Generation Z are combined for analysis).

Based on this information, we can make an educated guess that advisors are helping clients manage rising insurance premiums, utilize tools like Health Savings Accounts, and work out how best to cover their children under the age of 26.

Many survey respondents also expected to talk with clients more about life insurance (58%), long-term care insurance (43%) and long-term disability insurance (40%) in 2022. Once again, Generation X advisors led the charge in all three cases. A full 72% of Generation

X advisors expected to discuss life insurance more with clients this year, compared with 57% of millennial or Generation Z advisors and 38% of baby boomer advisors. With long-term disability insurance, 53% of Generation X advisors expected more discussion compared to 38% of millennial or Generation Z advisors and just 20% of baby boomer advisors. Finally, 54% of Generation X advisors expected more discussion of long-term care insurance, compared to 43% of millennial and Generation Z advisors and 29% of baby boomer advisors.

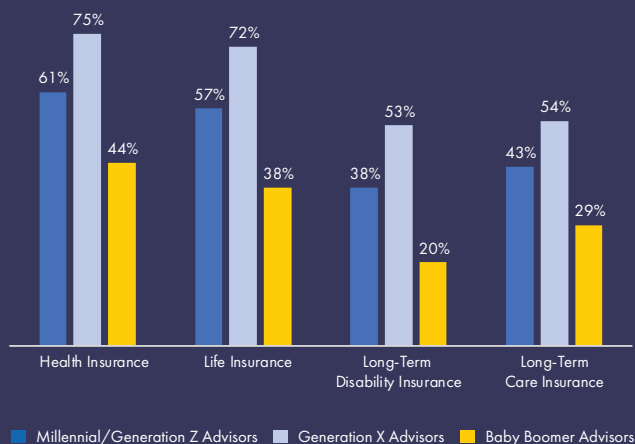
The increased interest from Generation X advisors is likely due to Generation X clients being at the age where long-term planning decisions around these insurance policies need to be made. Many baby boomers are too old, at this point, to qualify for affordable disability and long-term care policies, while millennial and Generation Z clients may be approaching the policies piecemeal. Generation X Americans, however, are old enough to have families to protect, while still being young enough to look into personal protections against loss of income or heightened medical bills.

While the full impacts of the COVID-19 pandemic remain to be seen, it has already become [harder to qualify for long-term care insurance](#)⁵. Long COVID patients also report [denials of disability and long-term care claims](#)⁶. While the COVID-19 virus may become endemic at some point, this concern will likely last until such a day comes and effective treatments for Long COVID are found.

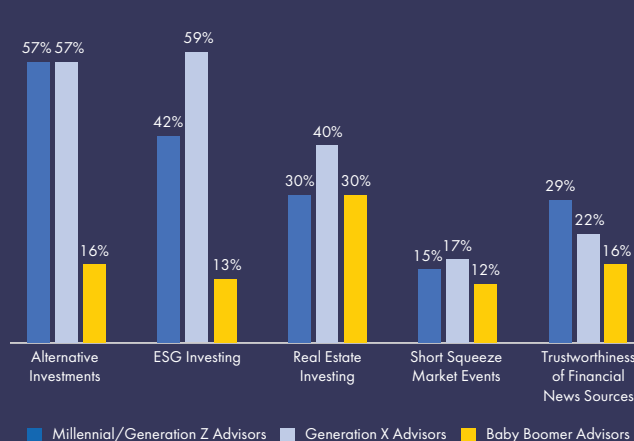
Investment Trends

The last few years have seen sharply increased interest in a variety of less or nontraditional investment strategies, including environmental, social and governance (ESG) investing, real estate and alternative investments like cryptocurrencies. While the long-term future of these trends remains up for grabs, many financial advisors expected more conversations about them with clients in 2022.

INSURANCE TOPICS ADVISORS EXPECTED TO DISCUSS MORE WITH CLIENTS IN 2022 BY GENERATION



INVESTING TOPICS ADVISORS EXPECTED TO DISCUSS MORE WITH CLIENTS IN 2022 BY GENERATION



Alternative investments, like cryptocurrencies, were the most anticipated topic, with 46% of survey respondents expecting more discussion with clients on these investment classes in 2022. This was extremely concentrated in younger generations: 57% of both Generation X and millennial or Generation Z advisors expected to discuss alternative investments more with clients, compared to just 16% of baby boomer advisors. This is unsurprising, as [very few baby boomers have invested in cryptocurrencies](#)⁷ or other digital alternative investments. Still, advisors with cryptocurrency-invested clients have had much to discuss this year, with an unanticipated spring crypto crash wiping out billions of dollars in investor assets.

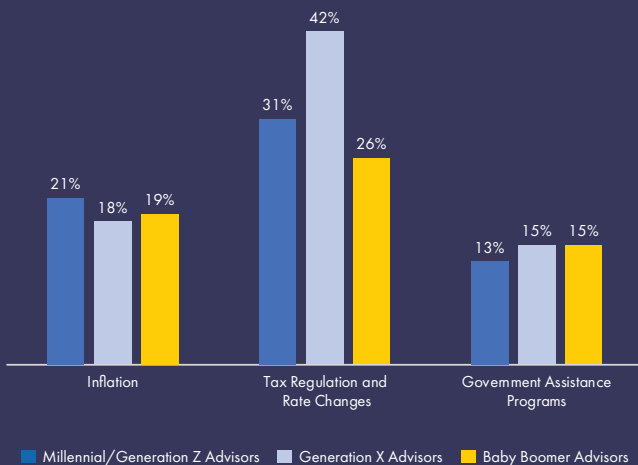
ESG investing also attracted attention, again primarily from younger advisors. While 41% of survey respondents overall expected to discuss the topic more with clients in 2022, only 13% of baby boomer advisors did. In contrast, 59% of Generation X and 42% of millennial or Generation Z advisors expected to discuss ESG with clients more. ESG, which has long been seen as a young investor's game, is now growing in popularity across age groups. However, the trend

is coming under increased scrutiny due to the lack of a regulated definition and [concerns about corporate greenwashing](#)⁸, which is when a company exaggerates its ESG efforts for the sake of profit.

Only 34% of survey respondents expected to discuss real estate investing with their clients more in 2022. This probably reflects a historical degree of separation between financial advising and real estate, with many advisors not choosing to develop the knowledge necessary to guide their clients through real estate decisions. However, the generational trends of alternative investments and ESG do not show up here. Instead, male advisors (37%) are more likely than female advisors (29%) to have said they expected to discuss real estate more in 2022. White advisors (38%) are also more likely than advisors of color (28%) to say they expected more real estate discussions with clients in 2022.

While the housing boom that dominated 2021 and much of 2022 seems to be over, real estate has become a popular and accessible investing tool. The full impacts of [the June 2022 reforms to Fannie Mae and Freddie Mac](#)⁹ will take time to make themselves known, but they are likely to make buying and retaining homes easier

FISCAL TOPICS ADVISORS EXPECTED TO DISCUSS MORE WITH CLIENTS IN 2022 BY GENERATION



for many Americans, specifically Americans of color. Beyond traditional property ownership and renting, other options like real estate investment trusts (REITs) have increasingly entered the middle-class investing mainstream. Going forward, the previously hard line between financial advising and real estate may become much blurrier.

Finally, just 15% of survey respondents expected to discuss short squeeze market events, like the GameStop event in January 2021, more with clients in 2022, a figure that was constant across demographic lines. While mainstream media has paid less attention to GameStop and other “meme stocks” in recent months, interest among a core of dedicated retail investors remains high. The ongoing trend has recently earned a [tongue-in-cheek shoutout](#)¹⁰ in a U.S. Securities and Exchange Commission campaign to promote informed investment decisions.

Other Trends

Smaller numbers of survey respondents said they anticipated more discussion of a handful of topics less commonly tackled by financial advisors. The most

popular of these was tax regulation or rate changes, with 34% of survey respondents expecting more discussion with clients this year. Generation X advisors (42%) were more likely than their baby boomer (26%) and millennial or Generation Z (31%) counterparts to indicate they expected increased discussion of this topic with clients.

While not all financial advisors engage in direct tax planning or assistance with clients, new federal regulations pertaining to the 2019 SECURE Act and [the anticipated passage of the SECURE Act 2.0](#)¹¹ later in 2022 have changed tax rules surrounding IRAs and other retirement accounts. As the U.S. Department of Labor continues to issue follow-up regulations in the coming years, advisors will need to pay close attention to keep clients on track to meet their financial and estate planning goals.

As more Americans turn to online news outlets, blogs and influencers for guidance on personal finance and investing, some advisors have started to proactively discuss how to spot financial scams or misinformation with clients. However, this remains a minority trend, with only 23% of survey respondents having said they expected to discuss the trustworthiness of financial news sources more with their clients in 2022. Millennial and Generation Z advisors (29%) led the charge here, with Generation X (22%) and baby boomer (16%) advisors trailing behind.

Only 14% of survey respondents across demographic lines expected to discuss government assistance programs more with clients in 2022. While most pandemic-related federal assistance has expired, the Biden administration has announced significant boosts to several permanent federal welfare programs, including [increased SNAP \(food stamps\) benefits](#)¹² and billions in new funding for a federal home weatherization program that helps eligible households [reduce their heating bills](#)¹³. However, the largest form of government assistance announced by the Biden administration was certainly [the forgiveness of up to \\$20,000 in federal student loan debt](#)¹⁴ for eligible borrowers and the creation of a generous income-based repayment plan for borrowers with remaining loans.

Advisors' Use of Technology

As digital options for investing and insurance have become more popular, pressure has risen within the financial services profession for individual financial advisors and insurance agents to use more technology in the workplace. Several professional organizations, including MDRT, have encouraged their members to adopt several FinTech offerings. These range from simpler technologies, like online appointment scheduling, to more complex ones, like artificial intelligence (AI).

Our survey of advisors, which asked respondents to indicate whether they used a range of technologies without assigned definitions, reveals uneven progress toward the technological goals of the profession. While many advisors use a variety of technologies in their practices, the survey results show much work left to do in making financial services a fully digitalized profession.

Office Software

The most progress has been made in adopting various software to improve office efficiency. Customer relationship management (CRM) programs, like Salesforce, were the most frequently used technology the survey asked about, with 60% of respondents indicating they use a CRM program. A full 72% of Generation X advisors reported using CRM software, followed by 61% of millennial or Generation Z advisors and just 39% of baby boomer advisors. CRM programs likely make the most sense for practices with large numbers of clients, but the generational patterns do not suggest practice size as a determining factor in whether advisors pick up the software. Rather, baby boomers, who make up a majority of financial advisors, simply have not adopted technology in the workplace at the same rates as their younger counterparts.

Cloud computing was used by 50% of survey respondents, again with significant generational gaps. Among both Generation X and millennial or Generation Z advisors, 58% reported using cloud computing, but only 29% of baby boomers did.

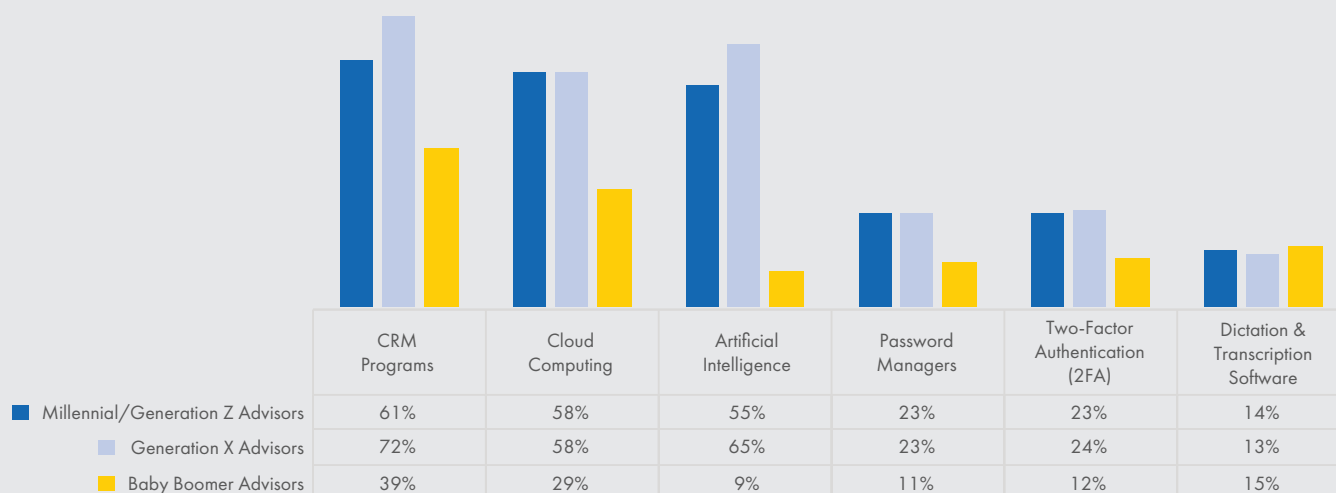
Advisors of color (61%) were also more likely to report using cloud computing than white advisors (46%). Especially for smaller or independent practices, [cloud computing provides valuable benefits](#)¹⁵ including remote work capabilities, data recovery, cybersecurity protections and reduced IT maintenance.

Though the survey did not provide a definition of the term, 47% of respondents reported using some form of AI in their practices. The generational gaps were very large, indicating that different generations may have interpreted the term in different ways. A full 65% of Generation X advisors reported using AI in their practices, followed by 55% of millennial or Generation Z advisors and just 9% of baby boomer advisors. Male advisors (51%) were slightly more likely than female advisors (42%) to report using AI, and advisors of color (55%) were slightly more likely to report using AI than white advisors (45%). The most common applications of AI in financial services include risk assessment, fraud detection and prevention, customer service chatbots and financial modeling.

Only 22% of survey respondents stated they use a password manager, like LastPass or 1Password, including 30% of Generation X advisors, 23% of millennial or Generation Z advisors and just 11% of baby boomer advisors. Male advisors (27%) were also more likely to use password managers than female advisors (14%). Cybersecurity experts often recommend individuals use meaningfully different and difficult-to-guess passwords for each online service they use. Many people ignore this advice due to the sheer number of different accounts and passwords that task entails. Password managers are services that securely store and generate unique passwords for online accounts, requiring their users to only remember the password for the password manager.

Another 22% of survey respondents indicated they use two-factor authentication (2FA), another commonly recommended cybersecurity practice. Generation X (24%) and millennial or Generation Z (23%) advisors were more likely to use 2FA than baby boomer advisors (12%). Users of 2FA have codes sent to their phone

OFFICE TECHNOLOGY USAGE AMONG ADVISORS BY GENERATION



or email that are required, along with a password, to access online accounts. This helps ensure account security even if a hacker or other malicious party obtains a password to an online account.

Just 14% of survey respondents reported using dictation or transcription software as a replacement for physical notetaking. This figure held up across demographic lines. Some advisors use and advocate for this practice to ensure accurate recording of decisions made during conversations with clients, client preferences and important thoughts advisors may have throughout the day.

Client Service Offerings

Advisor use of several client service technologies mostly lags their use of in-office technology to improve their own efficiency. While the reasoning for this is fairly self-evident – advisors are inherently more aware of what they feel are their efficiency gaps – consumers generally place more importance on adopting technology for client service than they do for office management.

The most used client service technology is, unsurprisingly, virtual meeting programs like Zoom or Microsoft Teams, with 53% of survey respondents reporting they use at

least one such program. Again, Generation X leads the charge, with 65% of that generation's advisors using virtual meeting programs, followed by 51% of millennial or Generation Z advisors and 35% of baby boomer advisors. Female advisors (58%) are slightly more likely to use these programs than male advisors (50%). Advisors of color (63%) are also more likely to use these programs than white advisors (48%). Though many advisors were forced into picking up these programs by the COVID-19 pandemic, they will likely endure as a new mainstream medium for advisor-client meetings, especially if remote or hybrid work remains popular for white-collar workers.

Forty percent of respondents stated that they use financial modeling software in their practice, with white advisors (44%) being slightly more likely to use it than advisors of color (34%). There were no statistically significant differences in usage between male and female advisors, nor between generations. While setting up these programs can be time-consuming, data from our January 2022 FinTech survey (see page 8) may indicate that many consumers feel better about taking advice from a financial services professional if the advisor uses financial modeling to provide a "second opinion."

Thirty-five percent of survey respondents indicated they use webinars or YouTube videos in their practice, a figure that was likely driven higher by the COVID-19 pandemic. Baby boomer advisors (46%) are more likely than Generation X (36%) and millennial or Generation Z (36%) advisors to use these tools, while advisors of color (46%) are more likely to use them than white advisors (30%). While more unidirectional than other forms of social content, webinars and YouTube videos can both provide clients with educational material that cannot be covered in a one-hour meeting and serve as promotional material to attract new prospects. Interestingly, these are the only tools baby boomer advisors were more likely to use than their younger peers, likely indicating a push from employers or professional associations.

Only 27% of respondents reported using scheduling software like Calendly or Acuity. Generation X (33%) and millennial or Generation Z (29%) advisors were more likely to do so than baby boomer advisors (16%), while male advisors (30%) were more likely to use these programs than female advisors (22%). While adopting these tools is touted as an “easy win” as far as FinTech goes, it’s possible that most advisors find more integrated tools like Microsoft Outlook calendars more convenient or do not see the need to pay for a separate service.

Just 23% of survey respondents stated at least some of their clients use fitness wearables to turn over health data to insurance providers. While this figure was consistent across racial and generational lines, male advisors (28%) were more likely to report their clients using such devices than female advisors (15%) were. Some insurance providers offer premium discounts or other benefits to policyholders who, through use of a fitness wearable, can demonstrate that they lead a healthy lifestyle to their insurance provider’s satisfaction. However, fitness wearables have attracted some criticism in recent years. A 2020 study funded by the National Institutes of Health¹⁶ asserted that fitness wearables can report normal physiological signals as abnormal, ironically causing mental health problems for

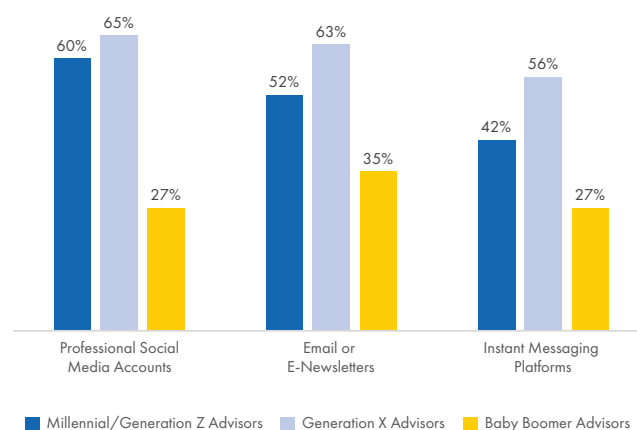
users. Additionally, there are growing concerns that data from location-tracking devices could be used to help prosecute individuals seeking abortion services¹⁷ now that Roe v. Wade has been overturned.

Communication Tools

Boosted by their near-universal adoption among the American public, large numbers of financial advisors use various communications platforms as part of their advisory practice. While few clients will truly wish to hear from their advisors on all possible platforms, the growing diversity of which specific platforms clients use for personal and professional communication increases their value for financial advisors.

More than half of our survey respondents (54%) stated they use social media accounts like Facebook or LinkedIn to communicate with their clients. Unsurprisingly, this is more popular with younger generations: 65% of Generation X advisors and 60% of millennial or Generation Z advisors engage in the practice compared to only 27% of baby boomer advisors. While advisors who use social media for professional purposes tend to use older, more established platforms like Facebook, LinkedIn or Instagram, they should be aware of the growing numbers of younger consumers using less traditional social platforms to learn about personal finance, like Reddit and TikTok.

COMMUNICATION PLATFORM USAGE AMONG ADVISORS BY GENERATION



A 52% majority of survey respondents reported using an email or e-newsletter program, like Microsoft Outlook or Mailchimp, to communicate with their clients, including 63% of Generation X advisors, 52% of millennial or Generation Z advisors and 35% of baby boomer advisors. Advisors of color (63%) used email to communicate with clients more frequently than white advisors (49%). It should be made clear that most advisors use email in some professional or personal capacity – far more than 52%. However, the survey question only asked respondents if they used email to communicate with clients, and some advisors use phone calls, texts or other methods instead.

Another 44% of survey respondents indicated they communicate with clients using instant messaging platforms like WhatsApp or Telegram. Again, this

is more popular among Generation X (56%) and millennial or Generation Z (42%) advisors compared to baby boomers (27%). While there was not a statistically significant difference between white advisors and advisors of color in use of instant messaging platforms, advisors should be aware that Hispanic and Asian communities disproportionately use these platforms compared to white and Black communities.

As 2023 quickly approaches, predictions are flying about what the next year will bring for financial advisors and their clients. While a solid financial plan always involves long-term preparation, the events of 2022 should serve as a reminder that predictions are never foolproof and something unexpected will always occur.

RECENT SURVEYS OF INSURANCE AGENTS AND FINANCIAL ADVISORS

Insurance Agents

The future of insurance work, the “silver tsunami” of an ageing workforce, and InsurTech issues are among the top concerns cited by senior executives and insurance agents in recent opinion surveys and articles.

The Future of Insurance Work

Like many other industries, most insurance professionals have had to adjust to remote working since the COVID-19

pandemic began. According to a 2021 survey, *The Insurance Agency Workforce*¹, by Vertafore, an InsurTech provider – nearly a third of respondents transitioned to 100% remote working, and 28% remained in the office 100% of the time. Most of those who continued working in an office had six or fewer colleagues.

More importantly, when asked about the ideal mix between working from home and the office in the future, nearly seven in ten of the agents said they prefer to work remotely at least half of the time.

18% of advisors prefer full-time remote.
25% prefer 80% remote work.
25% preferred 50% remote.
17% prefer 20% remote.
15% prefer full-time in the office.

Insurance is just one of many professional industries facing the issue of a hybrid office/home working future. Vertafore suggests that flexible working conditions could be an advantage for attracting new talent – a pressing issue in the insurance game, especially since agents working with independent insurance agencies are disproportionately women over the age of 40.

For an industry facing employee shortages in coming years, it will be vital for insurance employers to acknowledge the priorities of women in the workplace, where balancing work and personal life is increasingly critical. According to the [U.S. Census Bureau](#)², one in three women aged 25-44 were not working in 2020 due to childcare demands during the pandemic. Giving employees, particularly working mothers, flexible working conditions may significantly impact retention rates and workplace satisfaction now and into the future.

As in previous years, Vertafore survey respondents said their favorite aspects of working in insurance were the "ability to work directly with my community" and "compensation/financial stability." Some respondents also commented on the industry's employment stability in the face of COVID-19. Although many said that the industry is stressful and were less enthusiastic about recommending an insurance career to a friend, 85% of the agents agreed that they would recommend a career in insurance.

The main reason insurance professionals would consider leaving the industry is compensation (59%). However, for Vertafore survey respondents aged 24-39, 63% indicated they would leave the insurance

industry for a better work-life balance. The percentage for all respondents citing work-life balance as a reason to leave was still high (54%). The other two primary reasons respondents said might cause them to leave the industry were benefits (33%) and promotion (26%).

The Silver Tsunami

Insurance agencies are facing an enormous talent transition. Respondents aged 56 and older comprised 35% of those surveyed in the Vertafore study, while only 25% of respondents were under age 40. This gap reinforces findings from previous years indicating that the industry is aging and is not attracting enough young talent to compensate for older workers nearing retirement. Moreover, compared to previous surveys, fewer respondents said they plan to stay in the industry for more than 10 years, and many were thinking about retirement.

According to [LIMRA research](#)³ published in February 2021, candidate testing for field sales positions in the life insurance industry in 2020 increased 31%, driven by professionals from hospitality, healthcare, transportation, construction and IT. However, an increased candidate pool does not always translate into more agents. In fact, there was an 18% drop in the number of recruits that were contracted in the first half of 2020, compared with 2019.

Based on Vertafore survey results and industry research, the report suggested that agencies can invest in three primary areas for recruitment and retention: women, young people, and communities of color. However, the LIMRA study acknowledged that candidates with non-traditional backgrounds are less familiar with the industry. 33% said they know 'nothing or very little' about a financial services sales career, compared to just 17% of candidates with traditional financial backgrounds. Nearly half (46%) of non-traditional candidates are concerned about being able to answer in-depth questions from prospects and clients and 3 in 10 say they worry about being accepted as a trusted financial advisor.

InsurTech Issues

In a global 2021 survey of more than 400 C-suite level insurance executives in 50 countries conducted by LIMRA and Boston Consulting Group (BCG)⁴ to identify their greatest challenges, nearly 40% said technology was their company's greatest internal challenge — twice as many as in 2019 when the survey was last conducted.

Specific technologies advisors cited as crucial to improving their marketing, distribution, and customer experience:

- Digital automation – **79%**
- Data science and data analytics – **78%**
- Customer service technologies – **64%**
- Legacy systems and modernization – **62%**
- Cybersecurity – **60%**

A 2021 report by CB Insights Research⁵ confirms the emphasis on InsurTech investments by insurance companies. The second quarter of 2021 recorded the largest quarter-on-quarter funding increase since the third quarter of 2018, rising to over \$4.8 billion – a 210% increase over the same period last year.

The Vertafore survey indicated that employees at independent agencies overwhelmingly continue to view InsurTech favorably. More than 70% of respondents said that technology increased their agency's overall efficiency, and one in six reported that technology has enabled them to strengthen relationships with customers.

More than 90% of agent respondents reported using legacy tools such as agency management systems and email. In addition, 61% reported using a real-time rating system, but only 44% said they used texting on the job. On the other hand, relatively few survey-takers reported using technologies to manage workflow (27%), automated client communications (22%), customer relationships (17%), and content management (14%).

By a strong margin, agents are interested in solutions that automate repetitive tasks and data entry to improve efficiency and allow them to spend more time with clients. Respondents specifically cited the need to collect digital signatures and payments, two functions that have seen accelerated adoption during the pandemic. When respondents were asked what they would do with more bandwidth, the most common answer by far was more meaningful communication with clients and acting in a more advisory role.

Nearly a third of responding agents said that improved client digital experiences are most important to future success, solutions such as: online portals for self-service access to information and key documents, mobile apps and mobile-responsive web sites, web chat tools, and automated communications to reach clients with the right information at the right time.

The importance of providing employees with the tools they need to work remotely has been critical during the pandemic, and will remain important as a new, hybrid future emerges. According to Vertafore survey data, the majority of respondents agreed they have the tools necessary to work from home. However, 20% said they felt they lacked the necessary tools to be fully successful.

Financial Advisors

Uneven job satisfaction, the FinTech generation gap, and a trend of more "breakaway" advisors becoming RIAs are among the top concerns cited by senior executives and financial advisors in recent surveys and industry overview articles.

Uneven Financial Advisor Job Satisfaction

Surveys focused on financial advisor satisfaction vary greatly – ranging from very satisfactory to unsatisfactory. A narrowly-focused 2021 wellness survey of exchange traded fund (ETF) advisors by FlexShares⁶ reported that 81% of respondents liked their job better than the "average person" – up from 79% in 2018. The opportunity to help people secure their financial

future was cited by 58% of the advisors as a source of satisfaction, while 19% said that flexible schedules and independence were important, whether they worked for RIA firms, a brokerage firm, or a hybrid of the two. Another 13% said the relationships they build with clients, colleagues, and their communities are what make the profession outstanding.

In contrast, a broader 2021 survey of all types of financial advisors by [CareerExplorer](#)⁷ concluded that they were among the least satisfied professionals in America. Financial advisors rated their career happiness 2.7 out of 5 “stars” in Career Explorer’s system, which places them in the bottom 10% of all careers. This survey – which is collected on an ongoing basis nationwide using a standard career test – was measured against several job factors: salary, meaning, interest, work environment, personality, skill utilization, and overall opinion.

Recent research conducted by [Wiley Online Library](#)⁸ on women financial planners’ job satisfaction showed that they are generally more satisfied with their job than men. Women told Wiley they became financial planners primarily because they want to help people, enjoy being in the profession, want to grow professionally, and want the opportunity to work independently.

The research also found that women advisors tend to be more satisfied when working independently or with small firms, but they’re also more likely to feel successful when working in big firms versus small ones. The women surveyed had comparable education to men, but a significantly higher percentage of women hold the Certified Financial Planner (CFP)[®] certification.

Based on data from the U.S. Bureau of Labor Statistics, Career Explorer reported that women comprise 31.5% of the financial advice industry in America. Although the percentage of women advisors is low (especially compared to insurance agents), 2020 witnessed a 3.1% increase in the number of women advisors with CFP[®] certification. For every dollar a man earns in the industry, a woman earns 86 cents, which amounts to

an average income of \$76,162 for men, and \$65,247 for women.

According to the [J.D. Power 2021 U.S. Financial Advisor Satisfaction Study](#)⁹, advisors working for wirehouse firms indicated significantly lower levels of support from their firm (34%) and greater disruption of business services (29%) compared with their 2018 survey. In both categories, wirehouse advisors were experiencing the negative effects of the pandemic at approximately double the rate of non-wirehouse and independent advisors. Wirehouse advisors also cited higher levels of difficulty transitioning to remote work.

Comparing firm-level FA satisfaction scores from 2018 through 2021, J.D. Power found that 18% of advisors working for firms with the lowest overall advisor satisfaction scores switched firms during that period – more than three times the switch rate of 5% among the firms with the highest overall advisor satisfaction scores. The survey also found that 63% of investors indicated they would likely leave their firm to follow their advisor if they left the firm.

Technology and operations support were common pain points among dissatisfied advisors in the J.D. Power study. Only 35% of advisors said their firm’s technology offerings had improved since the pandemic began, and just 12% reported problem-free experiences getting support from their firm’s operations departments.

The FinTech Generation Gap

Career Explorer noted in 2021 that advisors between the ages of 30-40 made up only 27% of financial planners, but the least represented group were young people between the ages of 20-30, who comprised only 12%. A significant majority of advisors – 56% – are 50 or older, and 26% were 65 years or older. This data underscores a serious gap when it comes to adopting new technology.

J.D. Power’s 2019 financial advisor satisfaction study revealed that 26% of employee financial advisors under 40 either were not aware of or did not use smartphone-

friendly tools, and 49% did not use tablet-friendly tools. Moreover, 42% of employee advisors under age 40 reported that their firms did not allow them to use social media to communicate with clients or prospects, despite the fact that 64% of them said that it had helped them strengthen client relationships, and 47% said it had directly helped them win new business.

As for loyalty, the 2019 J.D. Power survey found that 82% of the advisors under 40 who were highly satisfied with their firm's technology said they "definitely will" remain with their firm, and 76% said they definitely will recommend their firm to other advisors. For those who were dissatisfied with technology, just 33% said they definitely will remain and 29% definitely will recommend their firm to others.

Nevertheless, the COVID-19 pandemic not only accelerated FinTech adoption but started to change FinTech opinions and assessments as well. According to *Financial Planning's 2021 Technology Survey*¹⁰, 93% of financial advisors say technology plays either a critical or very important role in their practice. Survey respondents included a mix of employee advisors, independent broker-dealers and fee-only firms of various sizes.

Asked to name the technologies that were changing the wealth management industry, 47% said digital platforms such as client portals, 40% said behavioral finance software, 39% said AI, 35% said mobile apps, and 25% said robo-advisors and automated investing.

More Breakaway Wirehouse Advisors Are Becoming RIAs

Established management practices and paradigms are taking their toll on many wirehouse firms. Shortly after pandemic lockdowns and social distancing became a way of life, a growing number of wirehouse advisors started leaving their firms either to join RIA firms or start their own companies. A 2020 *TD Ameritrade survey*¹¹ noted that, although brokers had been breaking away from Wall Street for many years to launch their own RIA

firms, they were now exploring a wider range of paths to independence and were increasingly confident about making a successful transition.

Wirehouse advisors thinking of breaking away were contemplating the following independence paths as follows:

- Acquire or merge with another business: **39%**
- Start my own business: **25%**
- Join an existing RIA firm as an employee: **19%**
- Partner with a company that provides technology and other support: **17%**

In addition, 40% percent of the "potential breakaways" said they are more likely to break away than they had been six months earlier. Brokers in the 2020 study also expressed overwhelming confidence in their ability succeed in an independent practice: 99% said that clients placed their trust in them, the advisor, rather than their employer's brand; and 80% believed that they did not need their employer's brand name to grow their own practice. In addition, 87% anticipated earning more as an RIA.

Nearly 80% of the agents said that managing their own business would not be too difficult, and 70% said they were not worried about giving up securities licenses or being sued by their current employers. Among brokers surveyed by TD Ameritrade that had already made the move to the RIA channel, 77% said their quality of life was better; 80% said their move to independence was easier than expected; and 78% said they successfully transitioned all their clients to their new firms.

Sources

MDRT Research: FinTech Solidification, Successes and Sore Spots

1. Costa, Paulo. "Robo or Human Advice? Investors Want Both in One Place." Vanguard. Vanguard, February 22, 2022. <https://advisors.vanguard.com/insights/article/roboorhumanadviceinvestorswantbothinone>.
2. Price, Jamie. "The Pandemic Was a Final Exam for Financial Advisors' Emotional Intelligence. Did Yours Pass?" Forbes. Forbes Magazine, April 21, 2022. <https://www.forbes.com/sites/forbesfinancecouncil/2021/10/22/the-pandemic-was-a-final-exam-for-financial-advisors-emotional-intelligence-did-yours-pass/?sh=1a405d7774db>.
3. McGinley, Devin. "Fee-Only RIA Firms Growing at a Healthy Clip." InvestmentNews. InvestmentNews, May 28, 2021. <https://www.investmentnews.com/fee-only-ria-firms-are-growing-at-a-healthy-clip-206915>.
4. Shaw, DJ. "The Role of pro Bono Services in Financial Advisers' Practices." PLANADVISER. Asset International, November 9, 2021. <https://www.planadviser.com/exclusives/role-pro-bono-services-financial-advisers-practices/>.
5. How Money Works, "The Growing Problem With Personal Finance YouTuber 'Influencers,'" YouTube Video, 10:53, April 30, 2021. https://www.youtube.com/watch?v=C3Fylev_f8s.
6. Murphy, Casey. "Bitcoin Scams: How to Spot Them, Report Them, and Avoid Them." Investopedia. Investopedia, August 23, 2022. <https://www.investopedia.com/articles/forex/042315/beware-these-five-bitcoin-scams.asp>.
7. House, Ellie. "Tiktok: How Tiktok Is Helping Young People Use Cash Wisely." The Guardian. Guardian News and Media, July 10, 2021. <https://www.theguardian.com/money/2021/jul/10/tiktok-how-tiktok-is-helping-young-people-use-cash-wisely>.

Ongoing Impact, Trends, and Issues of FinTech on the Financial Services Industry

1. "Generational Views on Financial Advice, Investing, and Retirement." Vanguard. Vanguard, August 2020. <http://web.archive.org/web/20200910210949/https://pressroom.vanguard.com/nonindexed/DigitalAdvisorSurveyExecutiveSummary08262020.pdf>.
2. Principato, Charlotte. "Here's Where the Youngest Generation of Investors Is Getting Their Financial Advice." Morning Consult. Morning Consult, May 25, 2021. <https://morningconsult.com/2021/05/25/tiktok-is-flush-with-financial-advice-but-social-media-hasnt-replaced-professional-sources-for-guidance-yet/>.
3. Allcot, Dawn. "Gen Z Teens Exceed Past Generations in Financial Literacy." GOBankingRates. GOBankingRates, April 18, 2021. <https://www.gobankingrates.com/money/gen-z-teens-exceed-past-generations-in-financial-literacy/>.
4. Perzhanovskiy, Nick. "Rise of Robo-Advisors: Market Size, Performance and Future Trends." JustCoded. JustCoded, April 8, 2021. <https://justcoded.com/blog/rise-of-robo-advisors-market-size-performance-and-future-trends/>.
5. "Robo Advisor Growth 2021." The Robo Report. Digital Advice LLC, May 26, 2021. <https://www.theroboreport.com/blog/2021/05/robo-advisor-growth-2021/>.
6. "Schwab Digital Investing & Technology Survey 2021." Charles Schwab Corporation. Charles Schwab & Co., 2021. <https://www.aboutschwab.com/schwab-digital-investing-and-technology-survey-2021>.
7. FA Staff. "Survey Finds Client Satisfaction Tied to Advisor Technology." Financial Advisor. Charter Financial Publishing Network, September 8, 2021. <https://www.fa-mag.com/news/covid-clientele-prefer-tech-adept-advisors--mmi-aon-study-finds-63844.html>.
8. Swain, Matt. "How Financial Advisors Can Meet Client Demands Now and in the Future." Wealth Management. Informa USA, September 23, 2020. <https://www.wealthmanagement.com/technology/how-financial-advisors-can-meet-client-demands-now-and-future>.
9. Dunham, Brian. "Striking the Balance: Robo-Advisory Gains a Human Touch." KPMG. KPMG International Cooperative, 2018. <https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/>.

MDRT Research: A Look Back at Advisor Expectations for 2022

1. "Consumer Price Index - August 2022." U.S. Department of Labor, September 13, 2022. U.S. Department of Labor. <https://www.bls.gov/news.release/pdf/cpi.pdf>.
2. Gledhill, Alice, and Liz McCormick. "Bonds Suddenly Look like a Smart Hedge Again after 12% Loss." Bloomberg.com. Bloomberg, May 15, 2022. <https://www.bloomberg.com/news/articles/2022-05-15/bonds-suddenly-look-like-a-smart-hedge-again-even-after-12-loss>.
3. Jordà, Òscar, Celeste Liu, Fernanda Nechio, and Fabián Rivera-Reyes. "Why Is U.S. Inflation Higher than in Other Countries?" San Francisco Fed. Federal Reserve Bank of San Francisco, March 28, 2022. <https://www.frbsf.org/economic-research/publications/economic-letter/2022/march/why-is-us-inflation-higher-than-in-other-countries/>.
4. "Health Insurance Coverage of the Total Population (CPS)." KFF. Kaiser Family Foundation, September 21, 2022. <https://www.kff.org/other/state-indicator/health-insurance-coverage-of-the-total-population-cps/>.
5. Carlson, Bob. "How the Pandemic Is Changing Long-Term Care Insurance." Forbes. Forbes Magazine, August 31, 2021. <https://www.forbes.com/sites/bobcarlson/2021/08/30/how-the-pandemic-is-changing-long-term-care-insurance/?sh=32775a36216f>.
6. Rowland, Christopher. "Covid Long-Haulers Face Grueling Fights for Disability Benefits." The Washington Post. WP Company, March 17, 2022. <https://www.washingtonpost.com/business/2022/03/08/long-covid-disability-benefits/>.

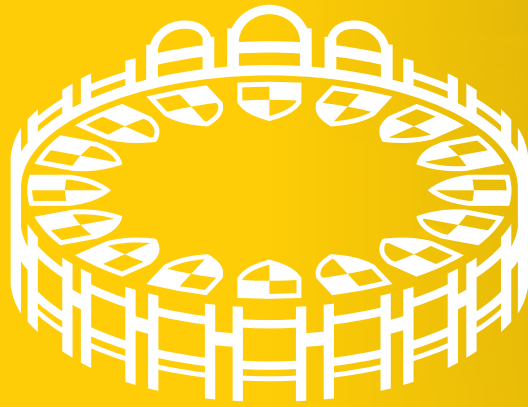
7. Perrin, Andrew. "16% Of Americans Say They Have Ever Invested in, Traded or Used Cryptocurrency." Pew Research Center. Pew Research Center, August 23, 2022. <https://www.pewresearch.org/fact-tank/2021/11/11/16-of-americans-say-they-have-ever-invested-in-traded-or-used-cryptocurrency/>.
8. Quinson, Tim. "Greenwashing Is Increasingly Making ESG Investing Moot: Green Insight." Bloomberg.com. Bloomberg, March 16, 2022. <https://www.bloomberg.com/news/articles/2022-03-16/greenwashing-is-increasingly-making-esg-investing-moot-green-insight>.
9. Ruiz-Goiriena, Romina. "Fannie Mae and Freddie Mac Take Steps to Make It Easier to Buy a Home." USA Today. Gannett Satellite Information Network, June 8, 2022. <https://www.usatoday.com/story/news/nation/2022/06/08/fannie-mae-freddie-mac-homebuying-mortgage-reforms/7482428001/>.
10. "SEC Launches Game Show-Themed Public Service Campaign." U.S. Securities and Exchange Commission. U.S. Securities and Exchange Commission, June 1, 2022. <https://www.sec.gov/news/press-release/2022-95>.
11. Waddell, Melanie. "Second Senate SECURE Act 2.0 Bill Sails Through Committee." ThinkAdvisor. ALM Global, June 22, 2022. <https://www.thinkadvisor.com/2022/06/22/second-senate-secure-act-2-0-bill-sails-through-committee/>.
12. DeParle, Jason. "Biden Administration Prompts Largest Permanent Increase in Food Stamps." The New York Times. The New York Times, August 15, 2021. <https://www.nytimes.com/2021/08/15/us/politics/biden-food-stamps.html>.
13. Phillips, Anna. "Biden Administration Announces New Funding to Make Homes Energy-Efficient." The Washington Post. WP Company, March 31, 2022. <https://www.washingtonpost.com/climate-solutions/2022/03/30/biden-energy-efficiency-homes-climate/>.
14. "Biden-Harris Administration Announces Final Student Loan Pause Extension Through December 31 and Targeted Debt Cancellation to Smooth Transition to Repayment." U.S. Department of Education. U.S. Department of Education, August 24, 2022. <https://www.ed.gov/news/press-releases/biden-harris-administration-announces-final-student-loan-pause-extension-through-december-31-and-targeted-debt-cancellation-smooth-transition-repayment>.
15. Morpus, Nicholas. "7 Benefits of Cloud Computing for Small Businesses." The Ascent | A Motley Fool Service. The Ascent, August 5, 2022. <https://www.fool.com/the-ascent/small-business/crm/articles/benefits-of-cloud-computing/>.
16. Rosman, Lindsey, Anil Gehi, and Rachel Lampert. "When Smartwatches Contribute to Health Anxiety in Patients with Atrial Fibrillation." Cardiovascular Digital Health Journal 1, no. 1 (2020): 9–10. <https://doi.org/10.1016/j.cvdhj.2020.06.004>.
17. Bonifacic, Igor. "Senators Ask Apple and Google to Prohibit Data Collection That Targets Abortion Seekers." Engadget. Yahoo, May 28, 2022. <https://www.engadget.com/senators-ask-apple-google-prohibit-data-collection-abortion-160539278.html>.

Recent Surveys of Insurance Agents and Financial Advisors

1. "The Insurance Agency Workforce - Vertafore." Vertafore, 2021. <https://www.vertafore.com/sites/default/files/documents/Insurance-Agency-Workforce-White-Paper-2021.pdf>.
2. Heggeness, Misty L., and Jason M. Fields. "Working Moms Bear Brunt of Home Schooling While Working during COVID-19." Census.gov. U.S. Census Bureau, August 8, 2020. <https://www.census.gov/library/stories/2020/08/parents-juggle-work-and-child-care-during-pandemic.html>.
3. "LIMRA Finds Interest in Careers as Life Insurance Agents Increased in 2020." LIMRA. LIMRA, February 18, 2021. <https://www.limra.com/en/newsroom/industry-trends/2021/limra-finds-interest-in-careers-as-life-insurance-agents-increased-in-2020/>.
4. The Wealth Advisor. "Tech Seen as Top Challenge in Life Insurance Industry, Limra Says." WealthAdvisor. The Wealth Advisor, October 29, 2021. <https://www.thewealthadvisor.com/article/tech-seen-top-challenge-life-insurance-industry-limra-says>.
5. "Insurance Tech Q2 2021." CB Insights Research. CB Insights, October 29, 2021. <https://www.cbinsights.com/research/report/insurance-tech-q2-2021/>.
6. "2021 Advisor Wellness Survey | FlexShares." FlexShares. Northern Trust, 2021. <https://go.flexshares.com/wellness>.
7. "Are Financial Advisors Happy?" CareerExplorer. Sokanu Interactive, January 20, 2021. <https://www.careerexplorer.com/careers/financial-advisor/satisfaction/>.
8. Pasztor, Jim, Aman Sunder, and Rebecca Henderson. "Success and Satisfaction of Women in Financial Planning." Financial Planning Review 2, no. 2 (June 2019). <https://doi.org/10.1002/cfp2.1049>.
9. "Wirehouse Wealth Management Firms Struggle to Keep Advisors Satisfied through Pandemic and Beyond, J.D. Power Finds." J.D. Power. J.D. Power, July 7, 2021. <https://www.jdpower.com/business/press-releases/2021-us-financial-advisor-satisfaction-study>.
10. Neal, Ryan W. "Tech Survey 2021: Trends Shaping the Industry Post-Pandemic." Financial Planning. Financial Planning, July 12, 2021. <https://www.financial-planning.com/list/financial-planning-2021-technology-survey>.
11. "Increasingly Confident, Brokers Are Exploring a Variety of Breakaway Paths to Becoming Independent RIAs: TD Ameritrade Institutional Survey." BusinessWire. Business Wire, July 1, 2020. <https://www.businesswire.com/news/home/20200701005235/>.

This image shows a full page of white paper with horizontal blue ruling lines. The word "Notes" is printed at the top left in a bold, dark blue font. The rest of the page is filled with evenly spaced horizontal lines, typical of notebook paper.

[illegible]



MDRT

The Premier Association
of Financial Professionals®

325 W Touhy Ave
Park Ridge, IL 60068
United States of America

www.mdrt.org