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INVESTMENT MANAGERS

PRESS RELEASE

Financial Advisers Remain Optimistic Despite the Impending Great Wealth Transfer, finds Natixis Investment Managers Survey

- *43% of advisers are worried they will not retain assets from client's spouses or children.*
- *Despite this, advisers anticipate an average of 11.5% growth over the next year.*
- *Advisers see clear benefits of adding private assets to client portfolios, yet two thirds (65%) say it's still difficult to build a portfolio of private assets at scale.*

London, 16 October 2024 – With $84 trillion set to pass from one generation to the next over the next 20 years[1], global financial advisers are feeling the pressure, with nearly half (46%) saying that it poses an existential threat to their business, according to Natixis Investment Managers' 2024 Financial Professionals survey.

However, despite navigating long-term demographic challenges and continued short-term economic risks, financial professionals remain optimistic about their prospects, with advisers anticipating an average of 11.5% growth on a one-year basis and annualised growth of 12.4% over the next three years.

Natixis IM surveyed 2,700 financial professionals across 20 countries, providing insight into adviser's growth strategies, their challenges, and how they are adapting their business to market fluctuations.

The Race to Thrive Amid the Great Wealth Transfer

Of all the challenges facing advisers in growing their business, keeping current assets on the book is the most critical, with findings from Natixis IM's 2024 Financial Professionals survey showing that four in ten (43%) are increasingly worried they will not retain assets from clients' spouses or next-generation heirs. In fact, one-third (33%) of global advisers say that they have lost significant assets through generational attrition.

As such, financial advisers are making retention and prospecting a key priority in anticipation of the Great Wealth Transfer. Overall, advisers report retaining client relationships 72% of the time when a spouse inherits. However, when client's children inherit, they're successful only half of the time (50%). To help boost retention, eight in ten (82%) say they are regularly discussing family wealth planning with clients as well as offering a range of ancillary services including trusts and estate planning (54%) personalised services such as career advice and networking (47%) and consolidating managed accounts (30%).

On acquiring assets, global advisers realise the need to prospect for new clients but currently dedicate only 9% of time to it. Additionally, despite concerns about wealth transfer and asset retention, half of global advisers are not targeting those aged 18–34 (54%). The only exception globally is in LATAM, where two-thirds (67%) of advisers focus on this demographic. Instead, when it comes to prospecting, seven in ten (72%) globally say they are focused on those between the ages of 35 – 49, while 85% focused on those between age 50 and 59.

Navigating risk

In an environment marked by the first rate cuts in four years, market highs, and slowing growth, financial advisers have also had the added challenge of navigating a year of contentious elections globally. However, 72% of advisers believe underlying fundamentals are more important than election results. In addition, more than half (54%) believe the results of the upcoming US election have already been priced into the market.

[1] Cerulli Associates: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021. https://www.cerulli.com/press-releases/cerulli-anticipates-84-trillion-in-wealth-transfers-through-2045

Looking ahead, public debt is the highest risk concern for six in ten (64%) with around three quarters (74%) saying that persistently high rates make public debt even more unstainable.

With the continuing market rally, nearly half (42%) of financial advisers warn that the biggest risk for their clients is chasing returns by trying to time the market. Advisers also caution that after an extended run-up in equities, investors should be aware of unrealistic expectations (29%). When asked in 2023, investors said they expect their investments to earn 12.8% above inflation over the long-term. In 2024, advisers said it's more realistic to expect 8.3% above inflation, leaving a 54% expectations gap between the two.

Darren Pilbeam, Head of UK Sales Natixis IM, said, "Over the past five years markets have delivered swift downturns and record highs, inflation spiked to its highest in 40-years, and interest rates shot from near zero to 5% or more. Although change may not always be as dramatic, advisers have been mastering the art of managing portfolios through turbulence and must continue to adapt to the speed and frequency of changing macro and market factors. Of all the challenges facing advisers however, keeping current assets on the book is the most critical. Advisers now need to flex their strategies even more to appeal to the next generation of investors. Finding more time to deepen relationships with clients and financial planning service offerings will be crucial to the success of their businesses in the long run."

Demand for private assets

Advisers are also feeling the challenge to deliver on the growing demand for private assets, with three in ten seeing it is one of the key growth areas for their business. Given increased investor demand, over half of advisers (56%) plan to include them in portfolios within the next five years. They also report clear benefits, with 56% saying private assets have improved outcomes for their clients.

However, two thirds of advisers (65%) say the biggest challenge is the difficulty of building a portfolio of private assets at scale. In addition to this barrier, it is evident that more investor education is required, as seven in ten (72%) say that clients do not understand the holding period that comes with private investment.

Over two thirds (68%) of global financial advisers highlight that an increased availability of liquid products will lead them to recommend private assets to clients more often. Interval funds are one such option, with four in ten (40%) saying that this structure is essential to helping clients access private assets. They also see new structures on the horizon that hold promise for retail investors. Overall, six in ten (60%) say that evergreen funds, which can accept periodic investment and provide preset intervals for withdrawals, are a good way to incorporate private assets in client portfolios.

Challenges in upping fixed income in client portfolios

Alongside the need for greater education on private assets, one of the key challenges facing investors in today's market is their lack of understanding about bonds, interest rates, and fixed income investing.

Nearly nine in ten (89%) of global financial advisers surveyed said it has been a challenge to increase fixed income allocations in client portfolios. However, with rates at 15-year highs, two-fifths (43%) of global advisers say it's been hard to show clients the benefits relative to cash with just over a third (39%) indicating that it's also been hard to show clients the benefits of upping fixed income allocations in general. What makes it more challenging, according to nearly four in ten (39%) is their clients' knowledge, or lack thereof, about fixed income.

In addition to the knowledge gap, 37% of advisers say one key challenge is that clients say they prefer other products such as money markets and certificates of deposit over bonds, while 36% find that with returns on cash at a 15-year high, clients do not have the risk appetite.

Natixis Investment Manager's global report on the findings of its 2024 survey of Financial Advisers can be found here: https://www.im.natixis.com/en-intl/insights/investor-sentiment/2024/financial-professionals-report

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Methodology
Natixis Investment Managers surveyed 2,700 global financial professionals in 20 countries. Data was gathered in June to August 2024 by the research firm CoreData with additional analysis conducted by the Natixis Center for Investor Insights.

About the Natixis Center for Investor Insight
The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

About Natixis Investment Managers
Natixis Investment Managers' multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 15 active managers. Ranked among the world's largest asset managers[1] with more than $1.3 trillion assets under management[2] (€1.2 trillion), Natixis Investment Managers delivers a diverse range of solutions across asset classes, styles, and vehicles, including innovative environmental, social, and governance (ESG) strategies and products dedicated to advancing sustainable finance. The firm partners with clients in order to understand their unique needs and provide insights and investment solutions tailored to their long-term goals.

Headquartered in Paris and Boston, Natixis Investment Managers is part of the Global Financial Services division of Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d'Epargne retail networks. Natixis Investment Managers' affiliated investment management firms include AEW; DNCA Investments;[3] Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; Harris | Oakmark; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; MV Credit; Naxicap Partners; Ossiam; Ostrum Asset Management; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; and WCM Investment Management. Additionally, investment solutions are offered through Natixis Investment Managers Solutions and Natixis Advisors, LLC. Not all offerings are available in all jurisdictions. For additional information, please visit Natixis Investment Managers' website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers.

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[1] Survey respondents ranked by Investment & Pensions Europe/Top 500 Asset Managers 2024 ranked Natixis Investment Managers as the 19th largest asset manager in the world based on assets under management as of December 31, 2023.
[2] Assets under management ("AUM") of current affiliated entities measured as of June 30, 2024, are $1,320.8 billion (€1,232.3 billion). AUM, as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.
[3] A brand of DNCA Finance.

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