A Metia report

The Post-Crisis Consumer

A Guide for Advisors and Wealth Managers

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0 Purpose

The impact of COVID-19 extends far beyond one's health and one's portfolio: Visiting loved ones has been put on hold. Many have lost their jobs or are afraid of losing their jobs. College plans have been delayed. Leisurely vacations sound like a myth from the past.

These lifestyle shifts all have ripple effects on how consumers approach financial planning. The post-crisis consumer will have different priorities – and therefore different financial advising needs – in the "new normal." Advisors who continue to conduct their business using their same pre-COVID approach are going to struggle in this new reality. As clients recalibrate their future, advisors will need to evolve to stay relevant.

Metia partnered with Jackson National to understand post-crisis consumers and how advisors can best serve them. Using results from a national US survey, this white paper outlines how consumers differ in their personal and financial responses to COVID; how that has affected their plans, goals, and attitude to risk; and how advisors can better resonate and connect with their clients.

While the pandemic remains an ongoing health and economic threat, the immediate crisis of the unknown – experienced in April and May of 2020 – has now passed. While consumers are still coping with crises in their everyday lives, we have seen patterns develop that we believe will endure as the new reality we will all function within. The risks have not disappeared, but they are better understood. For this reason, we refer to this present time as the "post-crisis reality."

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The Study and the Segments

Metia conducted a study to understand the implications for advisors as they seek to stay connected with their current clients and attract new clients in a post-crisis reality.

The study consisted of a national survey that 1,380 adults, spanning ages from 18 to 75+, responded to online. Survey respondents reported a range of financial confidence and literacy. Additionally, some currently have advisors while others have never had an advisor. To add clarity to the findings, respondents were grouped into the following segments:

Literate and Secure Savers: This group reports high levels of confidence in discussing finances with others, as well as high levels of time spent learning about investing and financial planning on their own using online resources. They've also carefully chosen an advisor to help them navigate their journey to financial freedom. When life circumstances change, they research their options for adapting their financial plan to their new realities before meeting with their advisor to refine an approach.

Cautiously Optimistic Preparers: This group reports average levels of confidence discussing finance with others, and they mainly or solely depend on their financial advisor to determine their financial planning priorities. When they experience life changes, they are likely to contact their financial advisor to determine how they should address those changes. They realize that iteration is necessary to a financial plan, but they do not feel comfortable determining this on their own.

Complacent Wishful Thinkers: Beyond aspiring to loose goals, these consumers have not taken action towards defining financial priorities or planning for their futures. They do not have an advisor and do not spend time on their own learning about finances. At some point, however, they are likely to encounter the realization that their life goals may depend on achieving some level of financial security, and then they may seek out an advisor.

Each of these groups presents opportunities for strong advisor-client relationships, but each of their financial planning needs – as responses to the COVID pandemic – appear to differ. In the rest of this white paper, we will share our overall findings, as well as the differences we saw in each of these segments, so that you can hone your approach when addressing your clients' concerns, based on which of these segments they most closely align with.

2 The Big Shifts

Responses to our survey revealed "big shifts" that consistently surfaced. The following shifts outline how consumers' personal perspectives on their own lives have changed and how that may impact their financial priorities.

The "Purpose" or "Perspective" Shift

For many, the COVID crisis has called into question what is considered essential and what is considered non-essential. This shift in one's personal sense of values can impact all other parts of life, including financial planning. Overall, our survey results show shifts in perspectives on career, lifestyle, and personal connections with family members and other loved ones.

Rethinking Careers: Security or Satisfaction?

For many, social distancing has forced or created opportunities to reassess individuals' relationships with their jobs. Whether or not their employment status has changed, many employees are reconsidering their current careers. They're asking, "Should I switch to a more recession-proof career, in case this happens again? Am I even interested in this career anymore?" Those who are embracing this crisis as an opportunity for reflection may be taking a critical look at whether or not they want to go back to their professional "old normal" when we do recover to a "new normal."

We asked respondents whether they felt having a job that is personally fulfilling was more important now to them than it was before the pandemic:

54%

54 percent of respondents said "yes, having a job that is personally fulfilling is more important now than it was before the pandemic."

60%

60 percent of those who had experienced an employment change said it was more important to them now to find personal fulfillment in a job – significantly higher than those who had not experienced a change in employment.

66%

Survey respondents who report high levels of confidence when discussing finance were significantly more likely to desire personal fulfillment in a job than those who are not confident. Additionally, 66 percent of those with high levels of confidence stated that having a job that is personally fulfilling is more important to them now than it was before the pandemic.

We also asked if having a job that is recession-proof is now more important than it was before the pandemic:

56%

56 percent of respondents said "yes, having a job that is recession-proof is now more important than it was before the pandemic."

35-54 Y.O.

The group that was most likely to say "yes" included 35- to 54-year-olds who use online sources of financial information and are confident discussing finances.

Consumer Segments: Career Shifts Summarized

- Literate and Secure Savers are more likely to prioritize recession-proofing their career. However, personal fulfillment is still important to this group, especially for those more confident discussing finances.
- Cautiously Optimistic Preparers are more evenly split between recession-proofing and personal fulfillment, though they tend toward the former. They are likely looking for an advisor to give them guidance before seeing their career as more than a means of providing a secure income.
- Complacent Wishful Thinkers want both, but not particularly strongly. Unsurprisingly, they are not committing to any strategy.

Rethinking Lifestyle: Old Habits Forgotten, New Opportunities Ahead

What started as a forced change in lifestyle may lead to an intentional long-term lifestyle change for many, even after businesses reopen. Constraints on dining out, traveling, and entertainment have jarred many out of their usual habits – and some are finding that there are parts of their old lives they don't miss. Getting to "try out" a different kind of life has encouraged some to permanently reinvent themselves.

Our survey explored this phenomenon by taking a deeper look at how discretionary spending habits have changed. We found a polarizing split among respondents:

27%

27 percent of consumers stated that they had not considered or been forced to make any discretionary spending changes due to the pandemic.

24%

However, 24 percent of respondents stated that the pandemic has made it difficult to meet basic financial needs.

18-54 Y.O.

Age is a primary determinant of response: Younger groups (ages 18–54) were much more likely to have struggled to meet basic financial needs, while the oldest age groups (55+) were less likely to be forced or encouraged to make any changes.

Differences were distinct when comparing consumer segments:

Literate and Secure Savers were most likely to state that the pandemic had encouraged them to scale back on discretionary spending.

26%

26 percent of Cautiously Optimistic Preparers stated that they were encouraged to cut back, while 36 percent of them stated their spending was not impacted.

Complacent Wishful Thinkers were least likely to state their discretionary spending had been impacted. Unless they experienced a jolting event, such as losing a job, they were less likely to change their spending habits.

Renewed Focus on Family, Relationships, and Connection

Many people are finding that quarantining, with or without loved ones, has renewed a focus on the role that connection plays in their lives. This renewed focus has shifted many consumers from a mindset of taking care of “me” to taking care of “us,” and this permeates their thoughts around financial planning as well. Some may be considering legacy planning for the first time, as they’re faced with wondering what would happen to their family if they weren’t able to provide for them. Others are realizing that they need to be incorporating family members into financial planning discussions. The sandwich generation is also facing amplified challenges in supporting family members, as millennials were hardest hit by unemployment, and elderly family members’ retirement funds may have been impacted by the market downturn. Those in the middle of these two generations may be looking for financial plans that also care for loved ones.

Our survey results showed that financial planning has become a family affair:

38 percent of respondents said they had increased financial planning discussions with family members.

- Younger respondents were more likely to say they were having more discussions, suggesting they were perhaps being pulled into discussions for the first time.

58 percent of respondents stated they had been having more frequent “taking care of us” conversations, especially focused on the following topics:

- 19 percent had a new or renewed focus on updating a will or estate plan.
- 15 percent reported increased conversation and focus on supporting adult children.
- 11 percent said they have increased their financial support of extended family members.

These “taking care of us” responses became stronger for respondents in the oldest age groups.

- 26 percent reported updating a will or estate plan.
- 17 percent reported increasing their support of adult children.
- 14 percent reported increasing their financial support to extended family members.

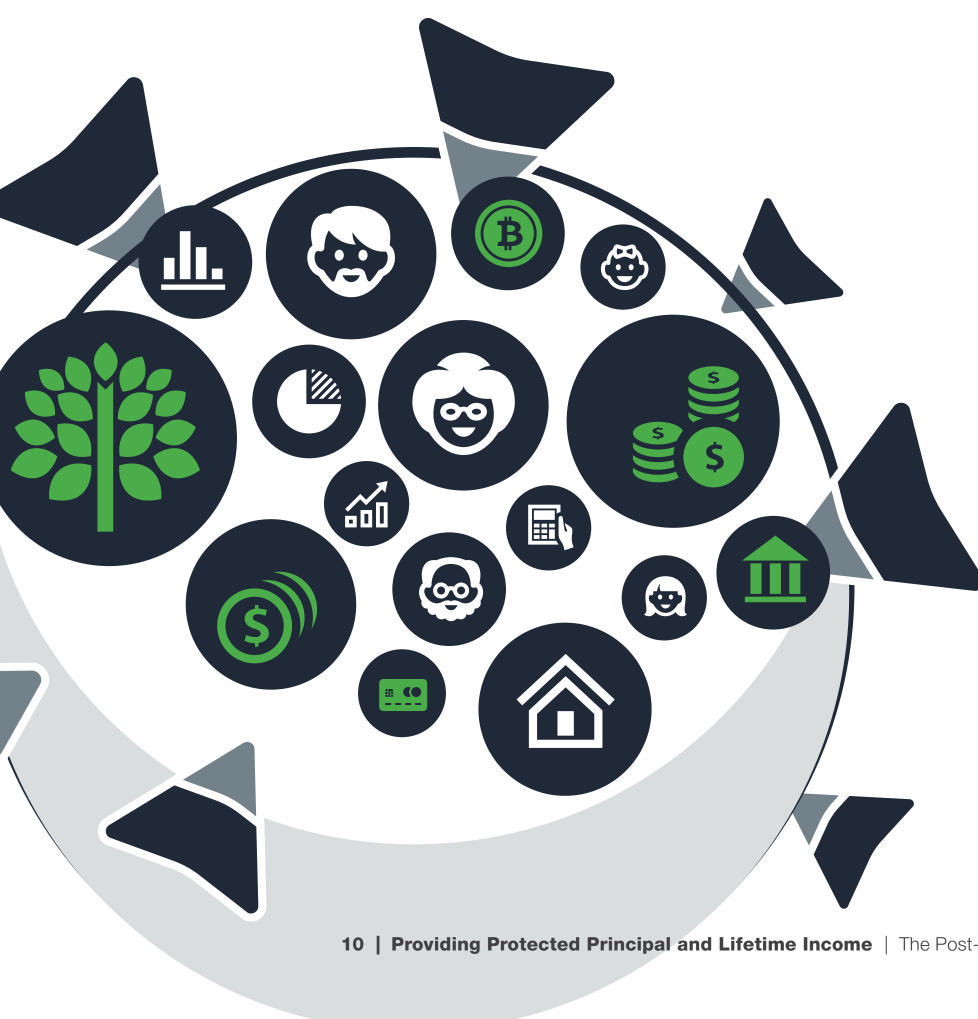
For those who are in the distribution phase, this “taking care of us” shift can take a substantial toll. Our survey responses showed a 13 percent drop in confidence for current retirees that their financial plans will support their needs throughout retirement. The unplanned expense of supporting family members may be contributing to this loss in confidence.

Analyzing this data within segments, we see distinct splits:

Literate and Secure Savers were the most likely to have had more discussions with family members and are the most likely to discuss all aspects of family-oriented financial planning. As planners, they are thinking through and researching all options.

Cautiously Optimistic Preparers were the least likely to have had more discussions with family members and are the most focused on updating their will.

Complacent Wishful Thinkers were squarely in the middle. When they do report having more conversations with family members about financial planning, these conversations were likely to be related to the urgent needs of their immediate family unit. Some of them may be getting together a monthly budget or rainy day funds for their family for the first time.



3 The Pragmatic Planning Shift

While many pre-retirees had plans in place for exactly how long they would need to work, and those who are already retired believed their distribution strategy was set, COVID-19 has called all of that into question. Consumers will be likely seeking more assistance with learning how to triage their financial concerns and balancing the new realities of what is urgent vs. what is important for their long-term goals. We saw the following major shifts that were directly related to financial planning approaches and preferences:

Retirement Date

We asked respondents about whether or not their intended retirement date had changed because of the pandemic:

27% 27 percent of respondents who are not yet retired are now planning on retiring later.

Men are more likely to say they now plan on retiring later.

Those not confident discussing finances are also more likely to plan on retiring later.

Those with advisors are less likely to plan on retiring later.

Distribution Strategy

While nearly a third of retirees said they have changed their distribution strategy, there is a clear difference between those who are financially literate and those who are not:

29% 29 percent of retirees say they have changed their distribution strategy in relation to the pandemic.

Those not confident in discussing finances and those who do not have an advisor were both more likely to have changed their distribution plan.

38% 38 percent of those who have an advisor and consider themselves financially literate changed their distribution strategy, while only 16 percent of those who purely rely on an advisor changed their distribution strategy.

We found differences among the segments as well:

Literate and Secure Savers who are planning on changing their distribution strategy are doing so to enable new plans in retirement, but are not actually changing their retirement date. The few who are changing their retirement date prefer to make this change.

Cautiously Optimistic Preparers are not changing their distribution strategy, but those who are not yet retired may choose to retire later instead.

Given that Complacent Wishful Thinkers didn't have plans in the first place, they wouldn't have had a retirement date to change.

Self-Education

Some clients have had more time on their hands over the last few months to conduct their own financial planning research:

28%

28 percent of people agreed with this statement: "The pandemic has made me spend more time than usual learning about financial planning."

There were, however, large splits across respondents. Younger people, those with more investable assets, and those who experienced an employment change were all more likely to have invested time in learning about financial planning.

Looking at this in the context of consumer segments:

36%

36 percent of Literate and Secure Savers stated that they had spent more time learning about financial planning.

19%

Only 19 percent of Cautiously Optimistic Preparers stated that they had been prompted to learn more. As this group tends to be dependent on advisors, we would not expect them to be self-reliant for investment education.

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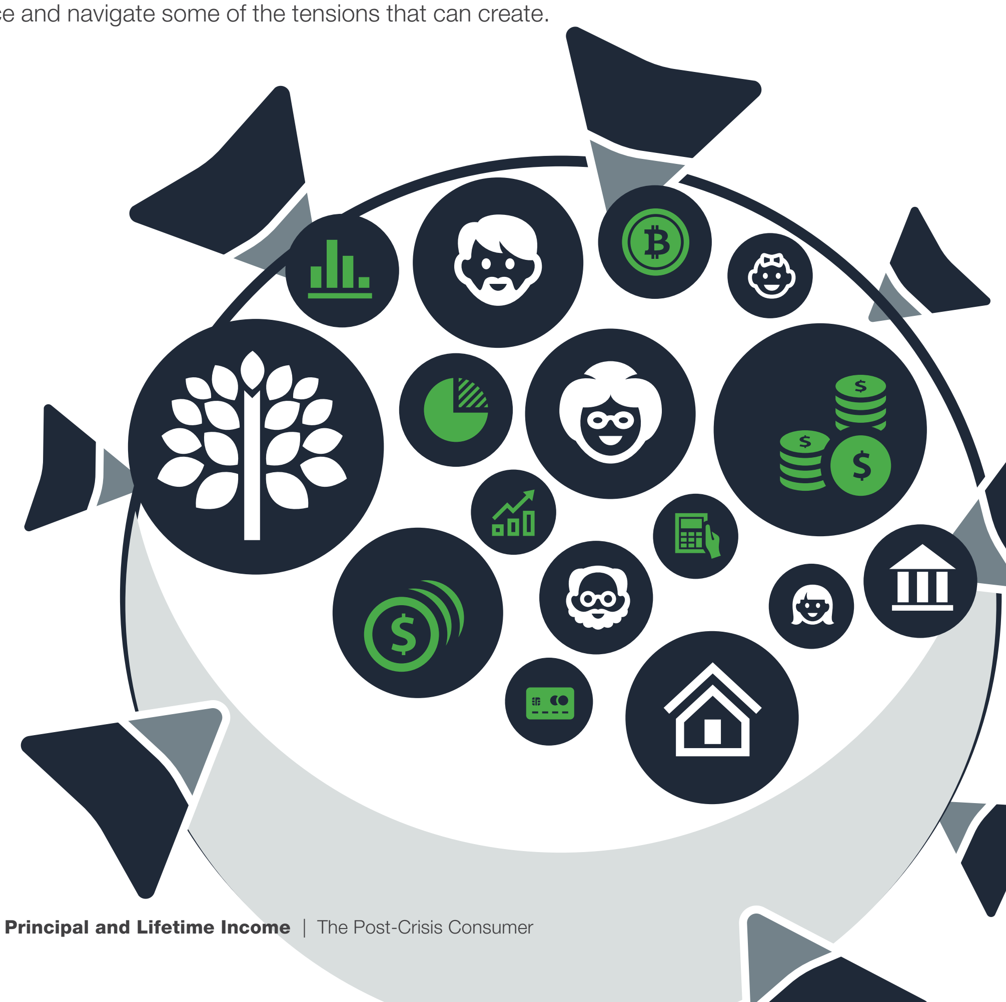
Nearly one-third of Complacent Wishful Thinkers reported spending more time on financial learning, indicating that they may be taking an interest in financial planning for the first time.

4 Pivoting within Your Practice: The Advising Shift

Changes in sense of purpose, as well as transformed financial planning needs, will impact how clients expect their advisor to relate to them. Using the findings from this study, we've outlined some general recommendations for evolving your practice to meet the needs of the new consumer in the post-crisis world.

Financial Planning for the Whole Family
Consumers' shift to reprioritizing family and connection will place greater value on opportunities to bring multiple generations together for financial planning meetings. Advisors will need to demonstrate their ability to work with multiple family members at once and navigate some of the tensions that can create.



The Young Ones: Working with Gen Z and Millennials

As younger adults show increasing interest in financial planning and the baby boomer generation focuses on estate and legacy planning, advisors will benefit from learning to connect with younger investors. After decades of working with the older members of a family, establishing a relationship with the younger adults can take some extra effort but can be well worth it in the long run.

According to a Vanguard study, 95 percent of children fire their parents' financial advisor after receiving an inheritance.[1] With $40 trillion in assets expected to change hands from baby boomers to millennials and Gen X in the next 30 years, failing to foster a connection with these younger adults could mean millions in lost assets. While it may have taken pandemic-driven fear to start the intergenerational conversation on financial planning in some families, this opportunity to connect with newly engaged generations shouldn't go to waste. Here a few tips for fostering a connection with the next generation of clients:

Serve the family, not just the principal
Treat the whole family like a client by calling a meeting with the entire family. This is an opportunity to make sure everyone shares an understanding of the family's financial planning priorities and learn where there may be conflicting individual goals or gaps in understanding.

Connect across generations
When meeting with everyone in the family, make sure to pay attention to everyone in the family. Even if you've previously been in touch with only one or two family members, it is essential to make eye contact and communicate with every person in the room.

Make it personal
Show that you care about more than their portfolio. Ask about estate planning, healthcare, and legacy planning. Asking parents about these aspects of their lives in front of their children demonstrates that you care about the well-being of their parents, which builds trust. It also gives younger adults an understanding of the not-so-obvious factors that need to be considered when creating a holistic financial plan.

Use the right channels
Younger generations will expect a higher level of technology competence. They may only want to participate in meetings remotely, such as over WhatsApp, Google Hangouts, or Zoom. They may attempt to connect with you on Facebook or think that WhatsApp is a normal place to interact. Have a plan in place for establishing acceptable boundaries for how you'll use technology together.

1. "Navigating the Great Wealth Transfer," 2019, Hilltop Securities.

The Sandwich Generation

The finances of non-professional caretakers in the US are being stretched in more directions than ever before. The newest generation of retirees are still finding themselves needing to care for others in their life, including parents and children, and the pandemic has added even more economic strain. As shown in our survey results, many Americans are finding themselves investing more in the financial well-being of family members than they were before the pandemic.

Here are some guidelines to support your clients in caring for their loved ones during these trying times while still staying on track towards their long-term financial goals:

Tough love and off-ramps

If your client is supporting an adult child, it is important that they communicate, for the financial health of all parties, that this is not a permanent solution. They need to make it clear what their objective is, such as financial security for their loved one, financial independence for them and their families, etc.

Commit to a timeline

Encourage clients to be clear around timelines. Very few financial challenges cannot be addressed within a year, and most challenges will only require a month or two to find an alternative solution or form of support.

Confusion leads to conflict

Your client should be clear about expectations moving forward. For example, if they're covering a loved one's phone bill or car insurance through a transition, they may want to consider a monthly meeting where all income and expenses will be reviewed together at an agreed upon date and time.

Strengthen confidence to act

Finally, advocate for your clients to stick to their guns. If they need moral support when their adult child gets angry with them for not endlessly financially supporting them, they should enlist the help of their advisor or friends.

Long-Term vs. Near-Term Goals: Shift to Focusing on Urgent Needs

While your financial planning relationship with your clients may have primarily focused on the saving and investing strategies they should adopt to meet long-term financial goals, you may find your clients now shifting to more short-term priorities. For those survey respondents who have advisors, we learned about more specific ways in which their financial planning priorities have shifted to address short-term urgent needs:

When asked what they want from their advisors, consumers responded:

- "Present me with an accurate picture of my current status."
- "Make me feel calm and confident."
- "Present me with all the options."

What dropped from the list of priorities? "Listen to my financial goals." While this was a top priority for consumers two years ago, it didn't make the current top five.

Compared to our survey data from two years ago, a smaller percentage of consumers selected long-term planning, long-term goals, and general information as priorities that an advisor should focus on.

Consumers have shifted to saying, "I need specific short-term action and guidance."

While this shift towards addressing urgent needs doesn't mean your practice has to abandon long-term planning, ignoring the urgency of new pandemic-related financial concerns could make you seem out-of-touch with what your clients are dealing with. Before having a meeting with your clients, go into it prepared to answer the following questions:

"What's my status?"
Many Americans are wanting to know how badly their portfolio has been impacted, especially compared to the "average" American, and they want to know where they stand now compared to before the pandemic. Be prepared to be direct with them, with a concise summary of their current status, but also be prepared to answer questions like…

"What can I do?"
To inspire a sense of calm and confidence, be proactively ready with actions that investors can take to mitigate risk, control any damage caused, and get back on track if your client's trajectory has changed.

"So what now?"
Especially if your clients are in the distribution phase, they'll want to know how their plans have been impacted.

"What do I do about these unexpected costs?"
Whether your client's job has been impacted, their health-related costs have increased, or previous sources of income have dried up, they may be facing financial constraints that are new and need to be urgently addressed. Be prepared to go back to basics, meaning you may need to advise your client on sustainable methods for managing new debt, reassessing a monthly budget, and revisiting their rainy day fund. Helping them manage new costs in a responsible way will help them get back to a long-term perspective more quickly.

Technology to the Rescue! (With Caution – Lots of Caution)

We asked respondents if they would prefer to meet with their advisor in the near future either in person or virtually over Zoom. While we saw a nearly even split in responses, women (44 percent) were more likely to want to meet virtually than men (28 percent). Additionally, 20 percent of respondents stated that they would look forward to a hybrid approach involving both in-person and remote meetings.

While technology will make it possible for advisors to continue connecting with their clients, here are some top tips for keeping your meeting safe:

Tell your client not to attach financial documents to the meeting or send them through the chat function. You and your client should access financial information using secure, single sign-on sites.

Don't use your personal meeting ID to host the meeting. Instead, generate random meeting IDs.

Use the waiting room feature to control who can enter the conversation after the meeting has started. In addition, you can lock the meeting so that nobody new can join beginning five minutes after the meeting has started, and you can require a meeting password for people to join the meeting.

All of these tips are especially helpful if your meeting is going to include several members of one family. If you're pulling in family members who are new to the planning conversation, passing these tips along is a great way to ensure everyone's information stays safe. Make sure to also check with your firm to ensure you're following their policies and guidelines for proper use of technology.

The Advisor Algorithm

As surfaced in our survey results, some consumers have been spending their new free time on the internet learning about financial planning by using online calculators, robo-advisors, or other digital resources. You can communicate the pros and cons of these options to potential clients by taking a hybrid approach. View these as a starting point for the consumers that makes them feel informed and gives them a framework. While it can short-circuit the conversation, at least you'll have a starting point that is an integral part of the conversation. An informed consumer is a better client, and there's still a need for an advisor to come in and leverage their expertise. You do not need to fear losing your business to an algorithm.

Instead, the services you provide that do need your human expertise are now even more valuable than before. Here are some ways to partner with the new algorithm-friendly reality:

Check with your firm to see if you can partner with a platform or embrace an online portal. Try to give clients access to part of the online experience that they appreciate.

Point out what they can learn from a retirement calculator, and ask them to come in having tried it at least three times.

- Advise them to input their information as accurately as possible, but remember that things change and they can't predict the future. To get a better idea of their retirement prognosis, play with the inputs to get several different scenarios. Try a later retirement age, longer life span, lower or higher returns, less or more income at retirement, and various inflation rates. Then use these scenarios to get a 360-degree view of what retirement could look like for them.
- Tell them not to use the calculator once and rely on that number. Their life, the market, and the world will continue to change, so they should repeat this exercise once a year or upon any major changes.
- Bring it back to purpose: Ask questions about aspects of their life that the calculator didn't.

The Outlook on New Clients

We also sought to learn if consumers who had never had an advisor may have sparked an interest in starting to learn how to plan for their financial futures:

19%

19 percent stated that they were much more interested now in working with a financial advisor than they were before the pandemic.

18%

Only 18 percent stated that they've developed more positive views of the financial sector since before the pandemic.

05%

Complacent Wishful Thinkers showed the smallest drop in confidence (5 percent), despite having no professional advisor and using no financial information independently. They also showed decreased trust in the financial services sector, making it even harder to raise them from their complacency to necessary action.

Moving Forward

Whether your client is a Literate and Secure Saver, a Cautiously Optimistic Preparer, or a Complacent Wishful Thinker, you have the opportunity to help them connect their personal goals to their financial goals. While many clients can feel overwhelmed by the recent shifts in their personal and financial lives, it is possible for them to get back on track with a financial plan. With your expertise guiding them, the post-crisis consumer can explore a "new normal" that works for them.

Why Jackson

Focused on lifetime income and built to support a holistic planning process, Jackson® partners with like-minded advisors to help clients secure their financial futures. Jackson offers superior back-office support, as well as an extensive menu of tools and resources to grow and protect your business.

About Metia

Metia Group is a global marketing agency with offices in London, Seattle, Austin, and Singapore. We employ some 140 marketing professionals; each is expert in a particular area of specialization.

Our clients include big corporations and ambitious businesses. We provide them with structured marketing programs that reach across geographies, scale massively, can be deployed systematically, and are measured relentlessly.

Metia has specialist services designed to support our clients in the areas of Insight, Demand, Content and Advocacy. These services are based upon deep expertise, proven methodologies, and are enabled by unique tools and systems.

In addition to working with technology and digital native businesses, Metia works with global banks, community banks, credit unions, neo-banks and fintechs across North America, Europe and Asia, helping them to design new customer experiences, build brands that resonate online and connect with new audiences.

To learn more about our capabilities and discuss how we could help you reach and engage your target audiences with focused, measurable campaigns, please contact us at info@metia.com.

Metia Group
metia.com
@metia
facebook.com/MetiaGroup
linkedIn.com/metia

EMEA
+44 (0)20 3100 3500
info@metia.com

North America
+1 425 629 5800
infoUSA@metia.com

Asia
+65 6224 7992
info@metia.com

metia