Key Financial Planning Trends To Keep An Eye On In 2022

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The world is in an ongoing state of flux, with the financial goals of both individuals and organizations evolving to meet emerging needs. As the financial services industry adapts to the shifting landscape, the need to stay up-to-date with industry trends has become an even higher priority for financial planners than before. Vincent Heys explains the financial planning trends to eye in 2022.

Whether you're in a consultation session with a client, watching the news, or scrolling through social media it's undeniable that the new global reality has far-reaching implications. The prevailing economic, social, technological, environmental, and political climate all impact how people make financial decisions. When clients are deciding on retirement planning, comparing insurance options, or weighing up investment opportunities there are multiple information sources that inform their decisions. Advice from trusted financial advisors is highly valued, but their experiences buying and using other products and services often provide the lens with which they view their world.

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Our team of financial planners have listened closely to clients as they've shared insights into their decision-making process. As a result, we've adapted to address some interesting trends that have emerged over the past few years. If you want to stay on top of your game as a financial advisor, here are some things you may want to keep an eye on in 2022:

1. Increasing client engagement on medium to long term financial products

Not all financial products are created equal in the eyes of clients. In their “Future of Money” report, Rain Associates in the U.S. uncovered some interesting findings on how families perceive financial products in terms of complexity. By conducting extensive market research on 3,000 families, between North America and the U.K., they effectively bucketed financial products into two sections, called “fast money” and “slow money.”
“Fast money”, which includes high transaction financial products like bank accounts, mortgages, and credit scores, was easily understood by the families surveyed. One of the reasons for this clarity is the high level of engagement made possible by technology platforms, customer education and clear communication. By making information easy-to-access and paying close attention to user experience.
A key finding of the research was that families largely struggled to understand “slow money”, including retirement funds, investment funds for retirement, life insurance and disability insurance. In the mind of a private client, the products that fall under the “slow money” category represent significant complexity. In comparison to the tools and engagement opportunities in the “fast money” category, there may be room for innovative platforms or strategies that lead to greater client engagement.
The big questions for financial advisors to ponder as we head into 2022 are “How effectively do we engage with clients and what makes sense to the client?” or ultimately: “How client-centric can we be?”

2. Business and billing models – the rise of subscription-based thinking

With high engagement subscription-based models like *Netflix* and *Prime* influencing the consumer’s decision-making framework, what will financial planning look like when new generations start taking steps to secure their financial futures? Harnessing technology to increase client engagement when it comes to financial services may provide some exciting opportunities for innovative business models and service pricing.
Schwab, a sizable robo-advisor in the U.S., offers clients three options. For small investments accounts, they have a DIY offering. For investments over $250,000 they engage the client as a private client. However, the most interesting of the three offerings is the middle space. For investment accounts of $25,000 upwards, clients can pay for advice. They offer a fixed fee for advisory services, alongside a subscription of $30 a month. Whether this model is successful or sustainable in the long-term remains to be seen, but it certainly indicates that there may be a paradigm shift on the horizon.

3. The shift in risk and responsibility from institutional to retail clients

If we consider how the financial planning landscape has changed over the last 60 years, the biggest shift has been from institutional clients to retail clients. Defined benefit funds in the 70s and 80s, when the life expectancy was 69 years, meant that employers only had to make provision for four years of funding post employee retirement. In the late 90s, we saw how those funds transformed, shifting more of the risk and responsibility to the retail client. When we engage with clients working at larger companies, we often find that there's no savings component in that group benefits plan anymore.

With this transition, we've seen an aggressive pursuit of retail clients by big corporate financial services companies. This presents an interesting dynamic in terms of sociology, depending on the client's generational grouping and whether they perceive a culture fit with the financial service provider. There's a gradual transfer and preservation of wealth from the Silent Generation and Baby Boomer clients to Gen X's, Millennials and Gen Z's. As part of this process, financial advisors need to engage with new generational groups who have vastly different views on money and engaging with technology tools.

4. The impact of portfolio construction on financial efficiency

Another trend we've observed is how portfolio construction impacts financial efficiency. In some environments, a conservative approach may mean considering cash and bonds—because of low volatility and good returns. However, if a client has an aggressive portfolio, say close to 95% equities, when they move down the risk profile from aggressive to balanced, they don't typically go into cash and bonds. More commonly they would consider diversified global equities or property investments.

In North America, because of its market maturity, there's a big focus on private equity. As a result, we've seen a lot more emphasis on instruments like private equity, private debt, and unlisted property finding their way into portfolio construction for private clients.

5. The agility of financial advisors in the face of increased regulation

Financial regulations have been increasing over the past 10 years and this trend will continue into 2022. As these regulations increase, advisors need to make sure they're compliant with all new rules which can be difficult when there are frequent changes.

The financial industry is evolving quickly, and if you want to stay on top-of-your-game as a financial advisor, you need to think differently. Our agile team has been paying close attention to market movements and client sentiment. From this perspective, we can help create value propositions that meet the needs of today's market while anticipating tomorrow's changes.

Connect with us to explore how we can help you increase your value proposition as a forward-thinking financial planner.

Recommended for you:

As your life stage, circumstances, and goals change your financial planning focus should evolve concurrently. Find out how to adjust your financial plans accordingly. Read more.

Our Contributors

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