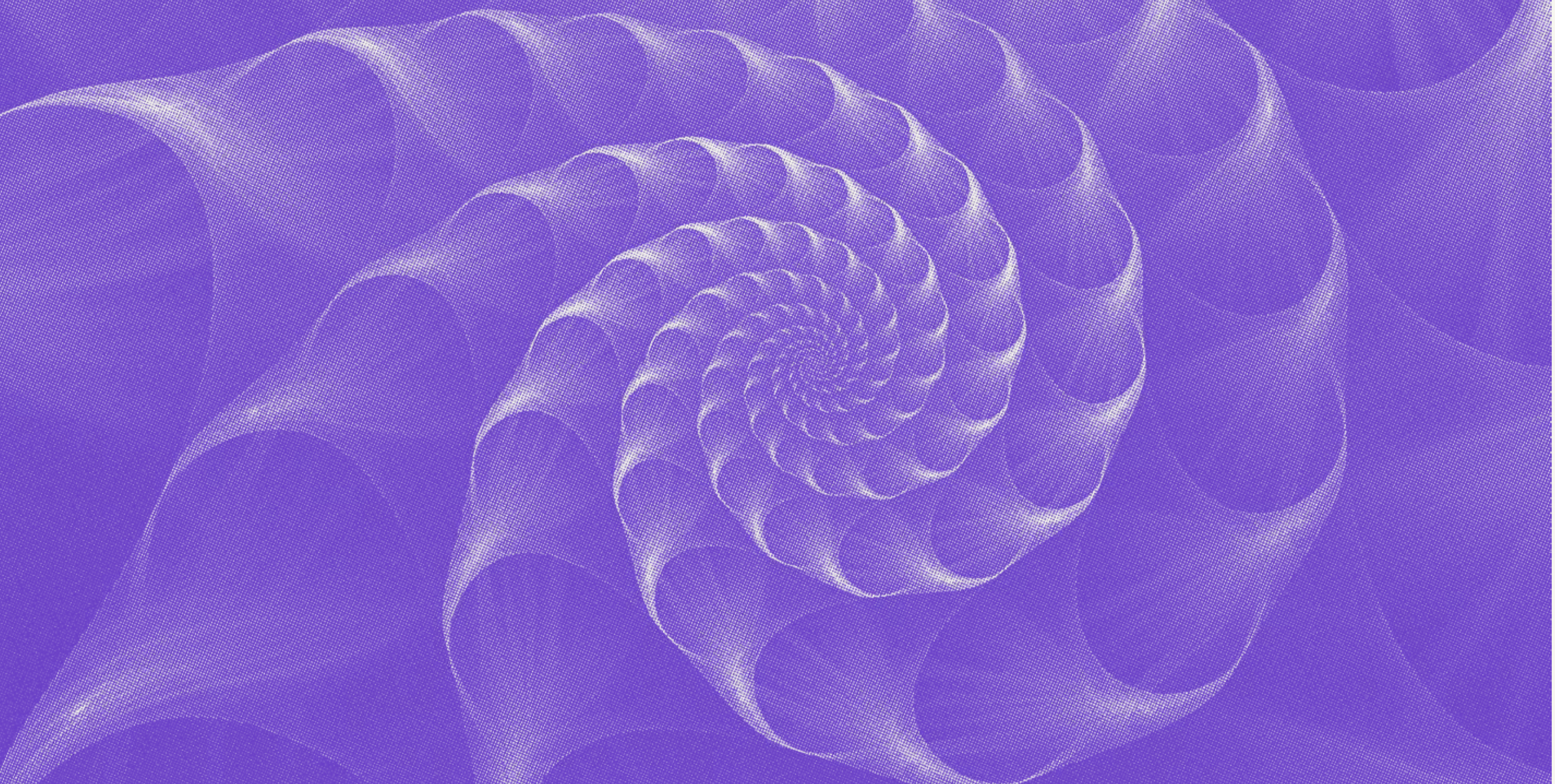

The 2024 Firm Growth Survey

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Executive Summary

"Client engagement" is more than just an industry buzzword. With referrals consistently clocking in as the top method of connecting with new, advice-seeking prospects, client engagement is key to growth: Happy clients tend to spread the word.

However, SEI reports that the average advisory firm is growing AUM by only 3.14% each year after excluding marketing performance.[1] This begs the question—what separates the high-growth firms from the stagnating ones?[2]

As we present the findings of the 2024 survey, we aim to equip you, the wealth management professional, with the data and insights needed to make informed decisions, foster innovation, and drive sustainable growth. The insights gathered reflect the industry's current state and, crucially, point toward future trends. From the adoption of technology to client engagement strategies and operational efficiencies, we cover the top topics for today's wealth management leaders.

In the following pages, you will find detailed analysis, expert commentary, and actionable recommendations that address the core challenges and opportunities facing your firm.

Whether leveraging technology to enhance client experiences, navigating regulatory changes, or implementing effective growth strategies in a competitive environment, the 2024 Nitrogen Annual Firm Growth Survey is your guide to achieving excellence in wealth management.

With the above in mind, we've added several questions to this year's survey to focus closely on client acquisition, satisfaction, and engagement – as well as further questions on:

- What "growth" means to firms
- What technologies firms are using to meet growth goals
- How firms are measuring the effectiveness of their tools
- What opportunities and challenges compliance presents

"This survey encapsulates our commitment at Nitrogen to empower wealth management professionals with actionable insights and forward-thinking strategies. We believe that understanding the landscape of today is the first step in crafting the client success stories of tomorrow. Our goal is that these results help all advisory firms not just grow but excel in every facet of their business."

– Dan Zitting, CEO at Nitrogen

We are proud to present this survey as a testament to our commitment to the growth and success of the wealth management industry. As you delve into the findings, we hope they inspire innovative strategies, stimulate thoughtful discussions, and ultimately contribute to your firm's growth and client satisfaction in the coming year and beyond.

Key Findings

- Referral-driven growth can be ramped up by aligning your goals with your technology to enhance personalization, amplify client engagement, and boost overall satisfaction.
- While increased regulations are viewed as the number one threat to growth by advisors, reframing compliance as an enabler could unlock untapped potential, mitigate regulatory risks, and free up time to foster client engagement.
- A majority of advisors want to use software to grow their AUM but may be under-utilizing their existing technologies that could streamline compliance and client engagement efforts.

Client Acquisition, Engagement, and Satisfaction

- Sixty-one percent of advisors report that most of their leads come from referrals, bridging the gap between client satisfaction and firm growth.
- Although 71% of firms have the desire and capacity to grow, a

focus on gaining new clients over retaining existing clients may be hindering potential referral-driven growth.
- Financial advisors universally recognize personalization as a cornerstone of brand differentiation and client engagement. Yet, there's a notable gap in harnessing the full potential of technology to elevate this personalization to new heights. The integration of sophisticated client engagement platforms into their tech stack—a move not yet prioritized by many—stands out as a pivotal opportunity.

Technology
- When asked about strategic objectives for 2024, there is a pronounced emphasis on leveraging technological innovations to augment AUM, enhance operational efficiencies, and elevate levels of client satisfaction. This orientation reflects a broader industry trend towards the optimization of technology infrastructure as a pivotal mechanism for driving growth, streamlining processes, and fostering deeper client engagement and loyalty.
- Firms believe that financial planning software, customer relationship management (CRM) software, and risk tolerance software are most important for overall growth.
- 91% of advisors stand firm in the belief that the right technology is a game-changer for client satisfaction. Yet, in a surprising twist, nearly a quarter of firms are on the sidelines, having not ventured into automating client communication at all.

Compliance
- Advisors don't consider compliance important for firm growth and rank regulatory obligations as the biggest threat to growth.
- A mere 17% of advisors are using compliance technology daily, uncovering a startling gap in the integration of technological solutions designed to streamline and enhance regulatory practices. This statistic not only raises questions about the untapped potential of compliance technology but also signals an opportunity for a transformative shift in how advisors approach regulatory adherence.
- Advisors are unhappy with heavy compliance burdens, but have been slow to adopt compliance technology that could automate those processes.

Bridging the Gap Between Growth Goals and Technology

It's a tricky time to be in the wealth management business. Consumers have access to more financial information than ever but lack the tools to authenticate that same information. To put it plainly, while investors find themselves awash in an ocean of financial data, the ability to derive meaningful insights from this vast information reservoir remains elusive. In the balance, regulatory bodies are increasing compliance obligations while also devoting more resources to oversight initiatives.[3] And as firms push forward with higher-touch experiences, clients (particularly those of a net worth north of $500,000) demand even more.[4]

Amidst all these shifts, advisors are left with the same number of hours each day. Of course, successful compliance, client satisfaction, client engagement, and growth are still all very possible – but *how*?

The most obvious answer lies in the advisor tech stack, which serves to automate many of these tasks and streamline firm workflows. However, building the right tech stack isn't as easy as blindly pointing to a name on Kitces' Advisor Technology Map. As long-time leaders in the advisory industry, we understand just how crucial those decisions are and how they can have a long-term impact on firm growth.

So what happens between the moment a firm recognizes an obstacle to growth and when a software solution is chosen? How are advisors connecting their overarching goals and client experiences with their chosen technologies, if at all? And how can bridging that gap lead to higher client engagement, satisfaction, and referral-driven growth?

Nitrogen seeks to fill this gap in industry research, bringing light to how firms can effectively use the tools available to them to increase client satisfaction, uncover held-away assets, ease compliance burdens, and boost sustainable, organic growth.

Key Research Objectives

This report examines the critical role of software in enhancing client satisfaction, streamlining regulatory compliance, and supporting the growth objectives of wealth management firms. By focusing on the intersection of technology, client engagement, compliance, and marketing, we aim to uncover insights into both drivers of success and perceived challenges to growth within the industry. Central to our inquiry lies a fundamental question: *What motivations and methods are fueling advisory firms' pursuit of growth?*

In addition to exploring the benefits and challenges associated with software adoption, we are particularly interested in understanding how firms are measuring the effectiveness of their technology investments and client engagement efforts. This includes examining metrics and methodologies used (such as surveys) to assess the impact of software solutions on client satisfaction, regulatory compliance efficiency, and overall business growth.

Survey Participants and Methodology

Participants

A total of 1,333 respondents were engaged through a combination of email, social media, and notifications within the Nitrogen platform to participate in the "Nitrogen 2024 Growth Survey." Eligibility for participation was restricted to individuals residing within the United States.

Participants in the survey spanned a range of roles within the wealth management profession, primarily consisting of financial advisors and firm executives. A significant portion of respondents (74%) fell into the age bracket of 35 to 64 years, with 63% boasting a tenure of ten years or more in the industry (refer to Fig. 1).

Figure 1: The breakdown of survey respondents by firm types

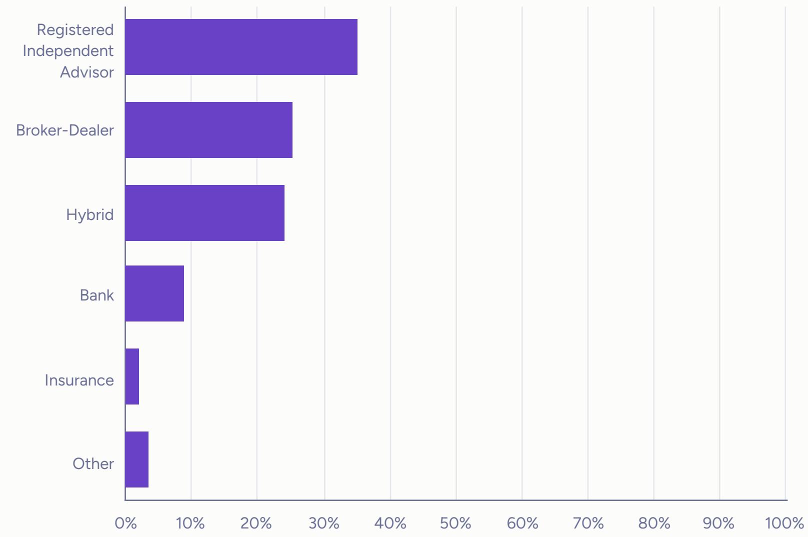
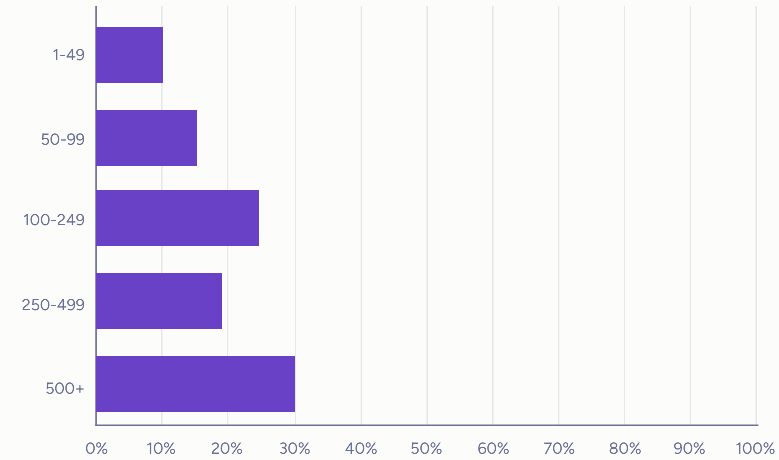


Figure 2: The breakdown of survey respondents by number of clients currently served



Materials and Procedure

Survey submissions were collected via an online survey between December 4, 2023 and January 20, 2024. There were a total of 64 questions spread across five core categories: Demographics, Business Growth, Technology, Marketing, and Client Engagement. Questions about compliance were also included throughout the survey.

While the **Demographics** section collected information about the specific survey-taker, the **Business Growth** category centered on how financial professionals were prioritizing their firm's growth goals both now and in the future, as well as how they planned to achieve that growth. An example question from this section was, "What is the most effective strategy to grow your firm's AUM and revenue?"

The next section, **Technology**, assessed what kind of software was used most often and methods for evaluating said software. Example questions include: "Do you have a dedicated client communication and proposal generation tool?" and "How often are you using each of the following software categories?"

The **Marketing** section delved into how participants were attaining leads and the cost of their marketing efforts, including questions such as, "By your estimation, approximately how much money per year are you currently investing in marketing?"

Lastly, our **Client Engagement** section covered content pertaining to how client satisfaction and engagement were measured, the firm's preparedness for the Great Wealth Transfer, barriers to obtaining new clients, and so on. It featured questions such as "What strategy have you found to be most effective in building client relationships?"

The majority of questions were answered via multiple-choice or by ranking a series of predetermined selections.

In-Product Data

The methodology for incorporating in-product data involved collecting and analyzing data from the Nitrogen platform used by financial advisors and wealth management firms. This data includes information on Nitrogen platform usage and other key performance indicators. By combining this data with survey responses, this report is able to provide a deeper understanding of the factors that contribute to growth and success in the wealth management industry.

Terminology

Organic growth is often seen as a sign of a healthy and sustainable business model. In the context of this survey, "organic growth" refers to the expansion of a wealth management firm's client base, assets under management (AUM), and revenues through internally generated factors such as reputation, service quality, and expertise.

Differentiating between "client engagement" and "client satisfaction"

For the purposes of the 2024 Growth Survey, it's important to differentiate between 'client engagement' and 'client satisfaction'—two interconnected yet distinct concepts.

Client engagement refers to the depth and quality of the interactions and relationships between clients and their wealth management advisors, serving to measure how involved clients are in discussions about their financial goals, investment strategies, risk tolerance, and so on. A high level of client engagement is commonly believed to enhance loyalty and foster enduring advisor-client relationships.

Conversely, client satisfaction centers on how pleased clients are with the services and overall experiences offered by their wealth management firm. This self-reported indicator generally mirrors a client's individual viewpoint on the firm's efficiency, responsiveness, and overall capability to meet their needs.

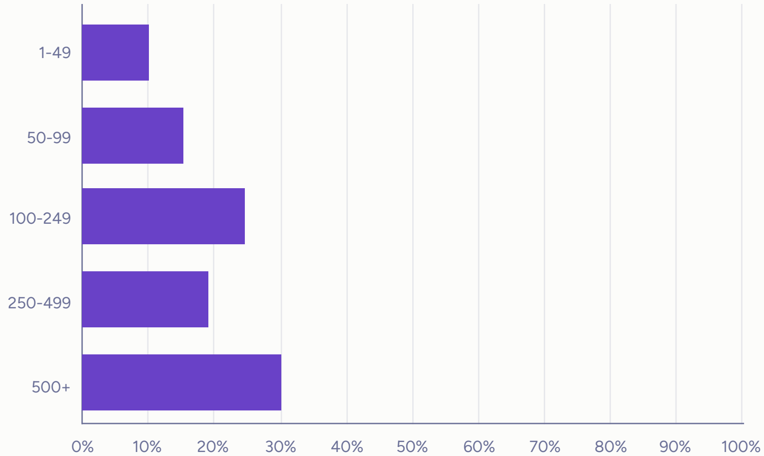
Demographics

Before we dive into the tools, motivations, and challenges surrounding advisors, it's important to look at the context surrounding today's wealth management professionals.

Consider that advisors are often entrepreneurs (nearly half of the time, in the case of this particular survey), balancing their advisory duties with their organization's overarching needs.

Approximately one-third of respondents are at firms managing portfolios for 500 or more clients, maintaining a distribution of results that aligns closely with those of the previous year's survey. The bulk of estimated AUM falls below the $249 million mark, yet 11% of advisors have reported their current AUM to exceed $1 billion.

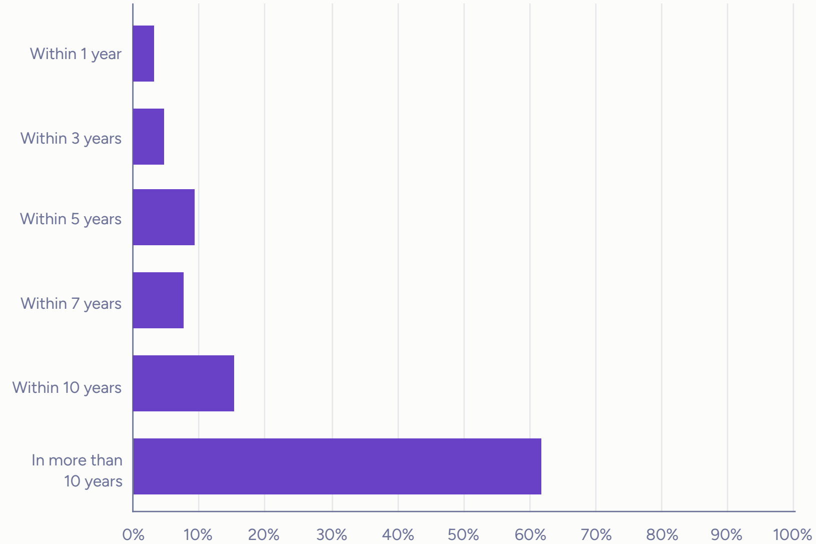
Figure 3: The number of firm clients reported by survey participants



A striking 67% of respondents are younger than 54, with nearly a third (29%) aged between 34 and 44. An impressive 63% have accrued more than a decade's worth of experience in the industry. Despite this wealth of experience, the majority envision themselves more than a decade away from retirement, with only 17% considering retirement within the next five years.

This data sketches a compelling portrait: Advisors are seasoned professionals who perceive a substantial runway ahead before retirement, positioning them as eager for substantial growth. For many, their profession transcends mere employment or a career path—it represents an opportunity to forge a lasting legacy through their business.

Figure 4: When survey participants plan to retire



Similar to the 2023 survey, the Series 63, Series 65, and Series 7 licenses retain their positions as the most sought-after credentials among advisors, reflecting their enduring relevance and importance within the field.

Licenses and certifications across the board seem to be growing in

popularity: Over half of advisors report that they've attained their Series 63, Series 65, and Series 7 licenses, and 28% have the Certified Financial Planner (CFP®) designation.
Overall, these findings underscore a clear trend toward upskilling within the advisory community, with advisors actively seeking to bolster their qualifications. It may also mark an effort to differentiate from other firms to attract new clients.

Of course, if over half of all advisors have an industry-specific certification (which is the case for several of these licenses), they may not serve as strong distinguishing factors. Moreover, prospects and clients unfamiliar with industry standards may not readily recognize these licenses at all.

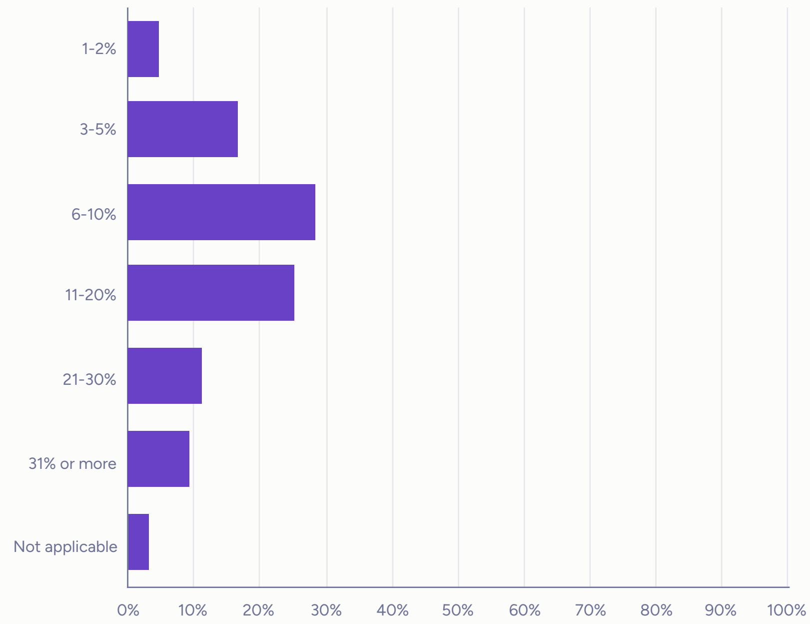
Figure 5: The licenses and/or certifications survey participants have completed

ANSWER CHOICES	RESPONSES
None of the above	2.75%
Series 6 License	29.56%
Series 7 License	61.44%
Series 63 License	52.75%
Series 65 License	57.73%
Certified Annuity Specialist (CAS)	4.56%
Certified Financial Planner (CFP)	28.07%
Certified Fund Specialist (CFS)	3.71%
Certified Investment Management Analyst (SIMA)	3.81%
Certified Public Accountant (CPA)	7.73%
Chartered Financial Analyst (CFA)	5.83%
Chartered Financial Consultant (ChFC)	7.52%
Chartered Investment Counselor (CIC)	2.65%
Chartered Life Underwriter (CLU)	4.98%
Chartered Market Technician (CMT)	2.01%
Personal Financial Specialist (PFS)	3.92%
Other	24.79%

As far as AUM growth, the numbers are somewhat alarming. More than one in five advisors (22%) would fall into what 2023's report categorized as "slow-growth," meaning they reported 5% or less growth in the last year (barring any market effects).

However, when we look at Nitrogen customers vs. non-Nitrogen users, a different trend emerges: While only 10% of non-Nitrogen customers report AUM growth of 21% or more in the past year, 23% of Nitrogen customers experience growth rates that high. Essentially, firms that use Nitrogen are over twice as likely to be categorized as "hypergrowth" firms.

Figure 6: Barring the effects of the market, the amount each survey participant estimates their firm's AUM has grown over the last year



Business Growth

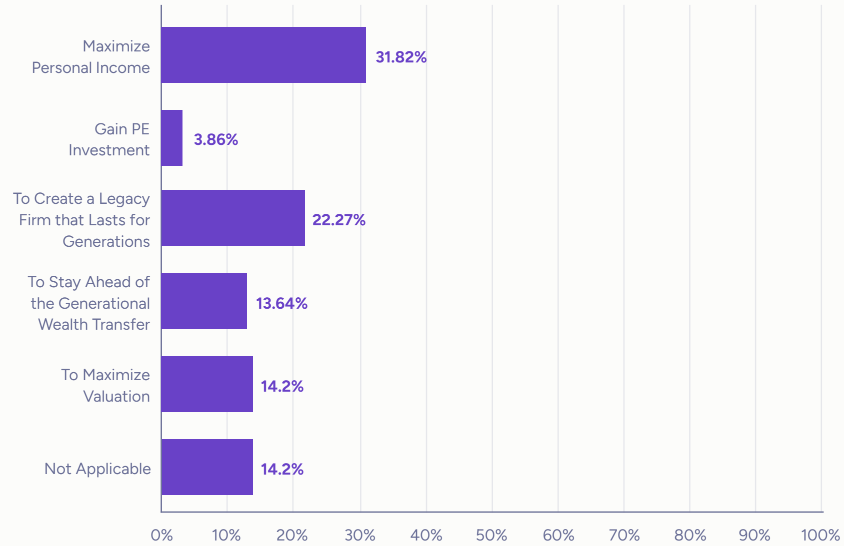
While last year's Survey honed in on growth trends between hyper-growth and slow-growth firms, we've expanded the questions in this year's survey to explore

- why advisors want to grow,
- what methods and strategies they believe are most effective for growth, and
- what perceived obstacles are most common

Some of the answers were in line with what you would expect: Most advisors feel that growth is "extremely important." Seventy-two percent of advisors want to grow and feel they have the capacity to do so (note that most advisors who do not wish to grow also report that they plan to retire soon). The question then follows: *Why*?

A nuanced understanding of motivational drivers emerges among advisors and firm owners. Foremost, personal income is highlighted as a primary incentive, underscoring the importance of financial success in their professional pursuits. This is closely followed by an aspirational goal to establish enduring enterprises, aiming to build "legacy firms" that transcend generations. Interestingly, a modest fraction, approximately 14%, of advisors emphasize growth as a strategy to preemptively navigate the complexities of generational wealth transfers. This insight reflects a broader spectrum of motivations shaping the wealth management industry's landscape, where financial aspirations and the pursuit of lasting impact coalesce to define the strategic orientations of advisors and firms alike.

Figure 7: For participants that selected they want to grow their firm, the motivation behind that desire for growth

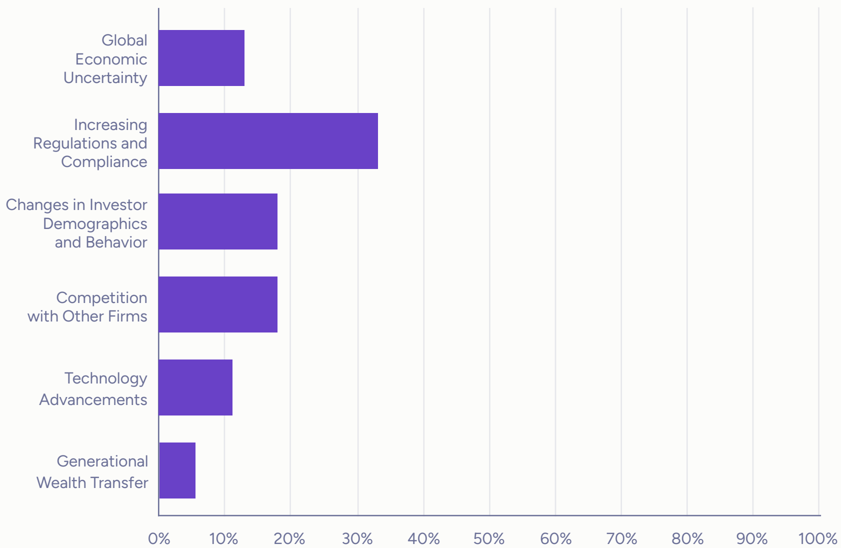


We pressed further into this topic, asking advisors what strategies they felt were most effective in growing both AUM and revenue. Advisors were largely split in this area: Thirty-nine percent of advisors believe increasing their book of clients will lead to growth, while 29% choose instead to prioritize client retention and uncovering held-away assets. (Note that acquiring another firm is another potential strategy for AUM growth, with one-third of advisors indicating that they have processes in place to acquire more advisors and clients). These statistics signal a greater conundrum many firms may be facing: Should limited firm resources (time, money, etc.) be spent fostering growth by engaging existing clients or by finding new clients?

Following that trend, advisors are more likely to rank client engagement as having the greatest positive impact on business growth (above practice management, risk management, marketing, or even financial planning).

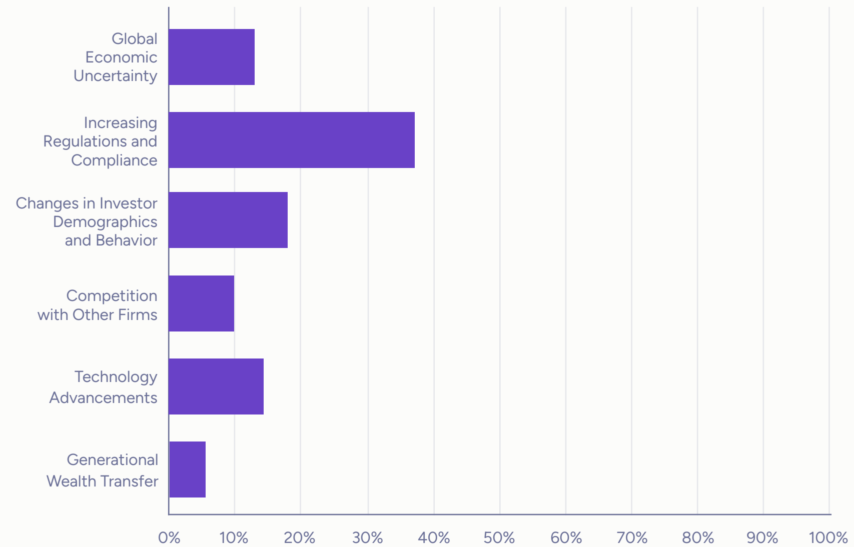
But let's look at growth from the opposite perspective. When asked to pinpoint the most significant barriers to potential growth, advisors frequently cited the escalating pressures of regulations and compliance, evolving investor demographics and behaviors, and intensifying competition from rival firms as primary concerns. However, projecting into the next five years, the concern around compliance escalates, with advisors increasingly identifying it as the paramount threat to growth ahead of shifts in investor demographics and the rapid pace of technological innovation. This trend underscores a prevalent sentiment among advisors: a struggle to manage the burgeoning demands of compliance tasks, accompanied by skepticism regarding the easing of these pressures in the foreseeable future.

Figure 8: The biggest perceived threat to firm growth today, across the profession



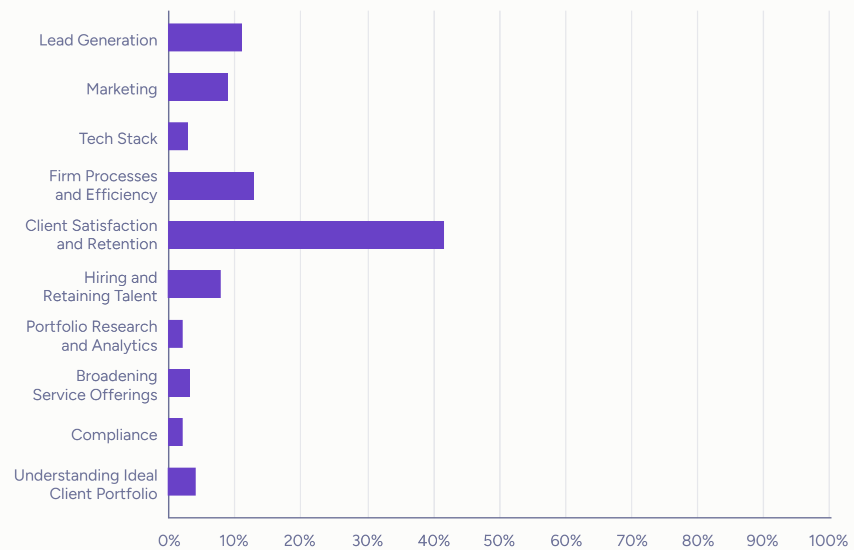
Advisors believe the most important factor overall for firm growth is client satisfaction and retention. However, advisors are eight times less likely to choose "understanding the ideal client profile" as the top factor – indicating that although client retention is on firms' minds, the psychology behind client needs and desires remains a blind spot.

Figure 9: The biggest perceived challenge facing financial advisors in the next five years



Interestingly, Nitrogen customers are significantly more likely to choose "Firm Processes & Efficiency" as the most important growth factor compared to non-Nitrogen customers, signaling a connection between efficiency-minded firms and their propensity to use software to underpin their growth strategy.

Figure 10: The most important factor in firm growth



Technology

In the "Technology" portion of the survey, we aimed to uncover which software advisors are turning to in their pursuit of growth and which types of software are shaping their everyday processes. The results here reveal an overarching disconnect between advisor goals, strategies, and technology.

For example, advisors rank financial planning software, customer relationship management systems (CRMs), and risk tolerance software as the most important technologies for firm growth. Despite advisors' perception that increased regulations represent the greatest threat to future growth, compliance tools came in dead last when ranking the most important tech tools for growth.

Figure 11: The top three most important technologies for firm growth

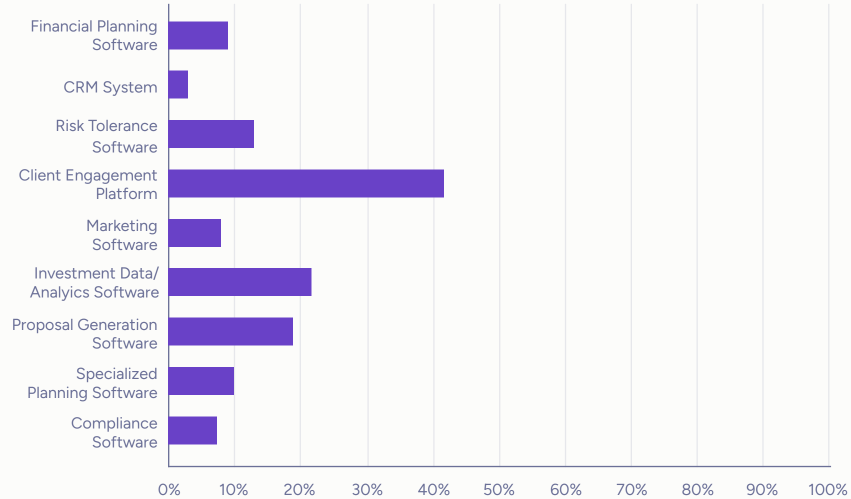


Figure 12: How survey participants evaluate each of the listed software

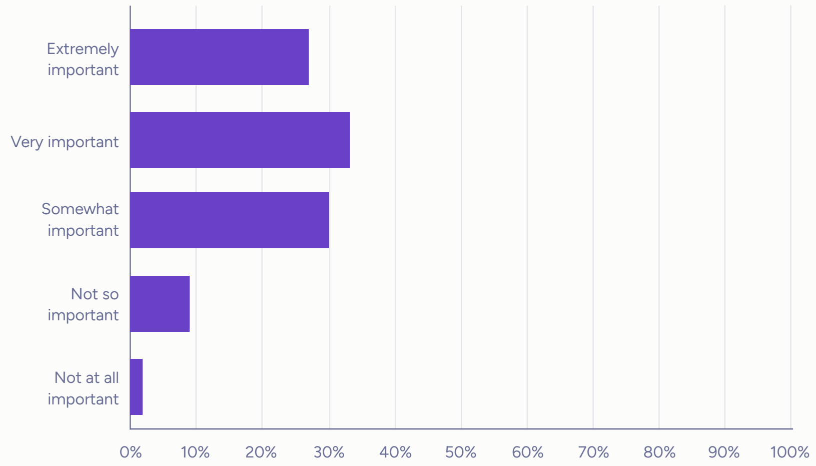
That was not the only place where responses sent mixed messages. Recall that advisors consider "client engagement" as "having the greatest positive impact on business growth." Yet only 28% of advisors identify client engagement platforms as one of their top three most important tools. Furthermore, only 31% consider personalized client engagement platforms a must-have.

ANSWER CHOICES	MUST HAVE	NICE TO HAVE	DON'T NEED
CRM Software	76.47%	19.26%	4.27%
Financial Planning Software	71.16%	23.76%	5.07%
Marketing Software	31.14%	53.63%	15.22%
Personalized Client Engagement Platform	34.26%	56.17%	9.57%
Investment Data/Analytics Software	52.94%	40.48%	6.57%
Risk Tolerance Software	59.05%	37.02%	3.92%
Specialized Planning Software	33.56%	53.98%	12.46%
Proposal Generation Software	40.48%	48.79%	10.73%
Portfolio Management Software	56.40%	34.95%	8.65%
Compliance Software	50.29%	33.22%	16.49%
Billing Software	35.76%	32.06%	32.18%

Note that CRMs hold a pivotal role in the arsenal of tools advisors rely on, yet it's crucial to understand the nuanced distinction between CRMs and client engagement tools. While CRMs are instrumental in managing client data and communications, client engagement platforms are tailored to deepen the advisor-client relationship through the lifecycle. These platforms offer more than just data management; they enable personalized communication, collaboration, and relationship-building, thereby enriching the client experience in ways traditional CRMs cannot. The absence of such a platform could mean missed opportunities for firms to forge stronger connections with their clients.

This gap in technology adoption extends to other critical areas as well. Despite advisors recognizing the low impact of compliance software on growth, over half consider it indispensable in their technology stack. This paradox highlights a broader trend: while 90% of advisors acknowledge the importance of dedicated tools for client communication and proposal generation, only a third have integrated such solutions into their practice. This disconnect underscores a significant opportunity for wealth management firms to reevaluate and enhance their tech stack, ensuring it fully addresses both the operational and engagement needs of today's advisors and their clients.

Figure 13: How important survey participants believe it is to have a dedicated client communication and proposal generation tool



Looking forward to the potential benefits of their 2024 technology selections, most advisors want to prioritize AUM growth, increase efficiency, and increase client satisfaction. Twenty-five percent of advisors hope to reduce overall costs, and 29% are aiming to maintain compliance through their technology in the coming year.

Our analysis of the past 10 years of platform data suggests that the average advisor has won about **$23M** with Nitrogen, or **$2.3M/year**.

Assuming a 1% advisory fee, that's **$23k** in compounding new revenue every year.

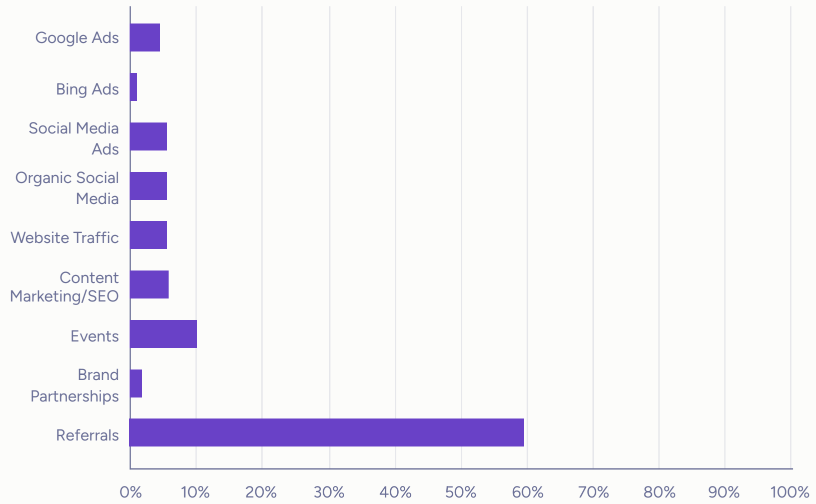
For the majority of firms this results in **10x** return on their software spend with Nitrogen before considering other benefits including reduced client churn and increased client satisfaction.

Marketing

Regardless of whether you're a veteran in the advisory world or just embarking on your journey, mastering the nuances of advisor marketing is key to forging meaningful connections with potential clients. This segment of our survey delves into the financial commitments firms are making towards marketing efforts, unveils the most fertile grounds for lead generation, highlights trusted sources for staying ahead in the marketing curve, and much more.

To start, a striking 61% of advisors reveal that a majority of their leads are nurtured through referrals, spotlighting the critical role of client satisfaction. Satisfied clients transform into powerful ambassadors for your firm, championing your services and organically expanding your reach.

Figure 14: The highest-converting marketing channel in terms of converting leads to paying clients for your firm

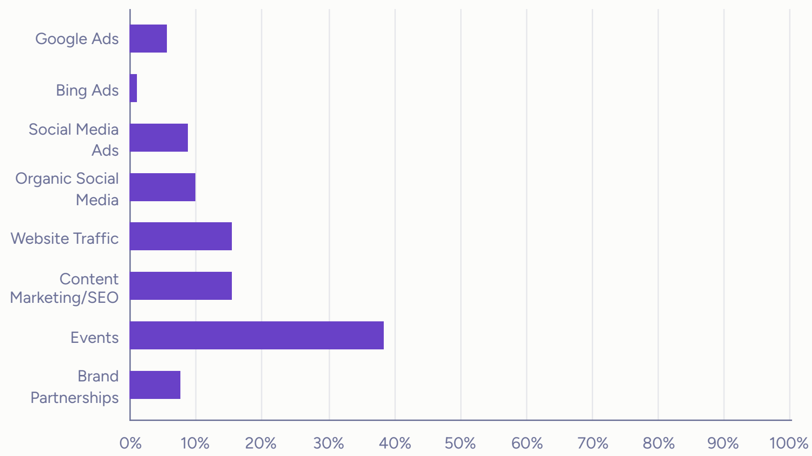


Referrals not only reign supreme as the premier source of leads but also stand out as the most effective channel for transforming prospects into paying clients. An impressive 60% of advisors identify referrals as their top-performing marketing avenue, significantly outshining all other strategies. In contrast, advertising efforts across platforms like Bing, Google, and social media, along with brand partnerships, lag behind in effectiveness for converting leads.

We expected referrals would come out on top, so we added another question asking advisors to rank all channels other than referrals. With that little caveat added, advisors ranked events, website traffic, and content marketing/SEO as their highest-converting channels.

Fascinatingly, despite the overall dominance of referrals, advisors using Nitrogen exhibit a unique trend: they frequently identify channels beyond referrals as their most effective for converting leads, especially highlighting the success of organic marketing initiatives and events. Notably, Nitrogen users report over double the success rate with these strategies compared to advisors who don't use Nitrogen, underscoring the distinctive advantage and effectiveness of Nitrogen's ecosystem in diversifying and strengthening lead conversion avenues.

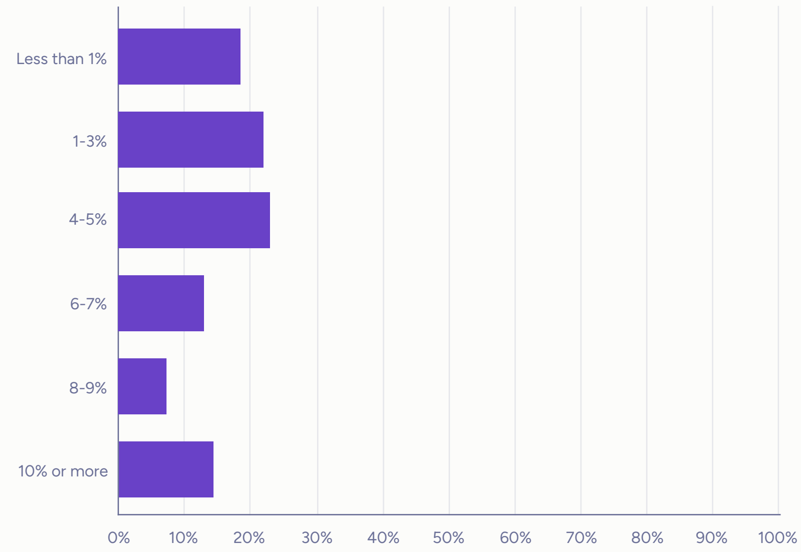
Figure 15: Besides "referrals," the highest converting marketing channel in terms of converting leads to paying clients for your firm



A substantial portion of advisors (51%) plan to increase their marketing spend in 2024. Remarkably, only 7% intend to decrease their marketing budget, signaling a widespread recognition of its importance in driving business growth.

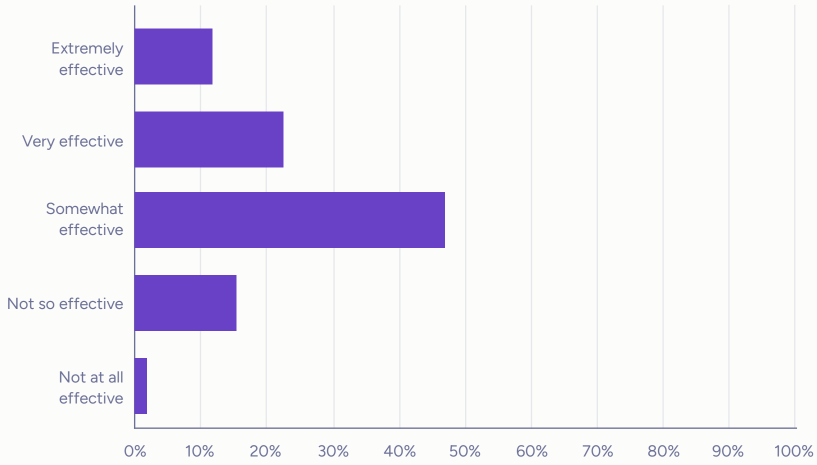
However, it's important to note that advisors aren't spending much on marketing in the context of their overall revenue. In fact, 65% of advisors report that they spend 0-5% of their annual revenue on any growth efforts. The majority of advisors say less than $10,000 is allocated toward marketing and growth initiatives each year.

Figure 16: The percentage of firms' gross revenue spent on growth



It appears that firms might be compensating for their limited financial investment in growth with a significant time commitment. Remarkably, one in five advisors dedicates 6-10 hours weekly to growth initiatives, while nearly one in eight advisors invests upwards of 11 hours each week on similar efforts. This translates to more than a full business day in a conventional 40-hour workweek. However, despite this substantial time allocation, advisors frequently rate their growth endeavors as only "somewhat effective," indicating a gap between effort and perceived outcome.

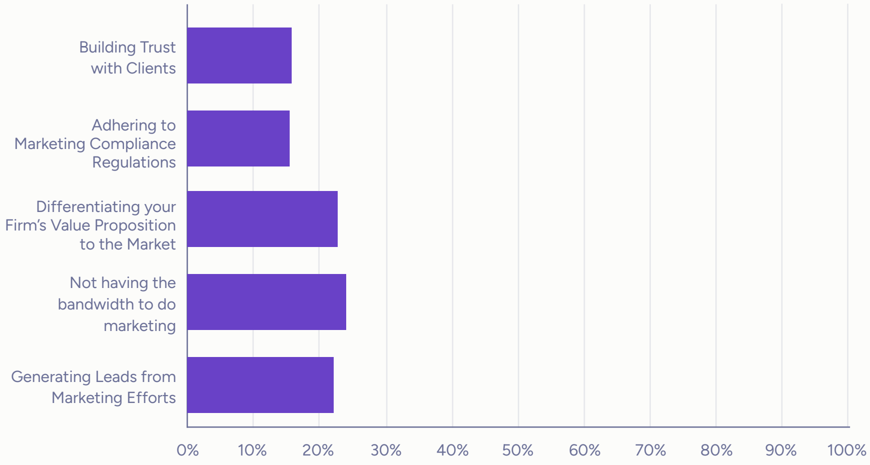
Figure 17: How effective survey participants perceive their firm's growth efforts



Exploring further into the challenges of marketing and growth, we sought advisors' perspectives on the principal obstacles to marketing success. The responses reveal no unanimous consensus on the issue, painting a complex picture of the challenges faced. Specifically, 24% of advisors attribute their marketing challenges to a lack of bandwidth for effectively promoting their business. Close behind, 23% cite difficulties in distinguishing their firm in a crowded market as their main barrier, while another 22% encounter challenges in lead generation from their marketing activities (Figure 18).

Only 15% of advisors view maintaining compliance as their foremost marketing challenge, suggesting that operational and strategic hurdles overshadow regulatory concerns in their quest for marketing efficacy.

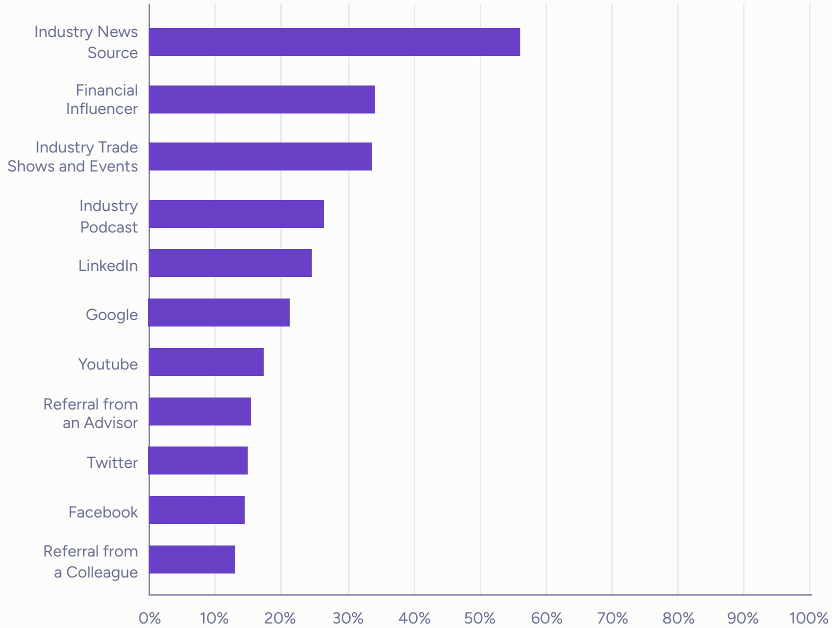
Figure 18: The biggest perceived challenge to marketing for firms



In summary, advisors largely lack confidence in their marketing and growth but can't agree on why. This lack of consensus underscores the complexity of the marketing landscape and the multifaceted challenges advisors face. Limited funding set aside for marketing may compound the issue, putting pressure on advisors to spend their dollars wisely. Keep in mind that less than a third of advisors think marketing software is a must-have, and about one in seven advisors say it's unnecessary altogether.

In addition, advisors may feel out of their depth when it comes to marketing, unsure where to focus their energy or pivot strategically when results are unsatisfactory. When asked how they are staying up-to-date with the latest financial trends and news impacting business growth in the profession, advisors say they put their trust in industry news sources (57%), financial influencers like Michael Kitces (34%), and industry trade shows or events (34%). Twenty-seven percent also rely on industry podcasts to stay informed (Figure 19).

Figure 19: Methods survey participants use to stay up-to-date with the latest financial trends and news impacting business growth in the profession



And although clients and prospects rely heavily on referrals to inform their decisions, advisors don't necessarily follow suit: Only 13% of advisors point to referrals from colleagues as a top method of staying informed with financial news and trends. Advisors are unlikely to use Facebook or Twitter as a consistent source of information for their growth initiatives. Out of the most popular social media platforms, LinkedIn ranked highest, followed by YouTube.

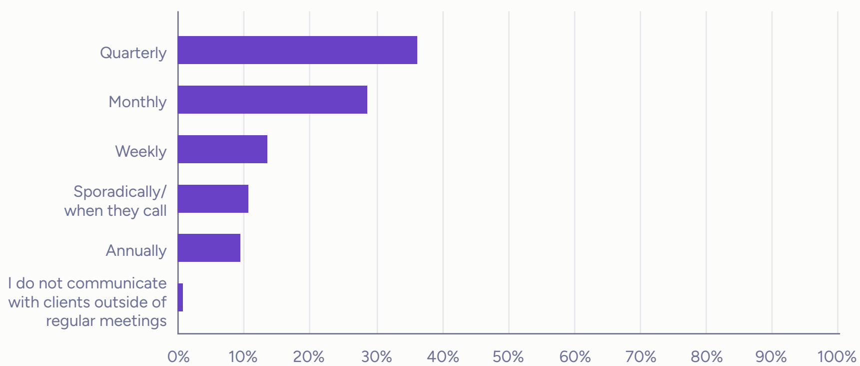
Client Engagement

We've established that advisors believe client satisfaction and retention are the most important factors for growth – and the fact that most new leads come from client referrals supports that – but how are advisors approaching client engagement and satisfaction?

In this section of the survey, we explored how firms are communicating with clients, what technology is bridging the communication gap between advisors and clients, how firms are measuring client satisfaction and more.

It's well-known that advisory clients want more communication – a trend that doesn't appear to be going anywhere. In fact, NASDAQ reports that nearly half of clients want *more* contact.[5] Many advisors are answering the call, with 42% stating they contact clients monthly or weekly beyond regular meetings. However, 10% only communicate annually, and another 10% say they limit communications outside of regular meetings to sporadic instances or when clients call (Figure 20).

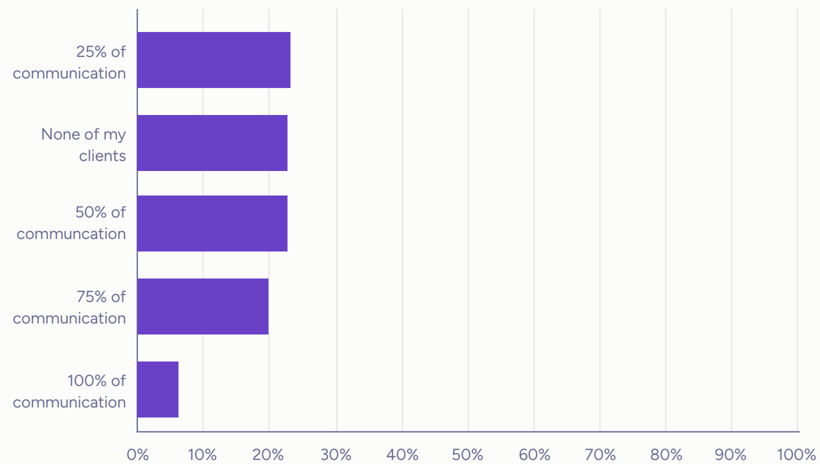
Figure 20: How often survey participants communicate with their clients outside of regular meetings



Customers of Nitrogen tend to engage with their clients at least on a quarterly basis, suggesting an effective use of automated tools such as Check-Ins for maintaining client connections efficiently, without overly taxing their resources. Furthermore, there's a notable distinction in communication frequency, with 14% of advisors using Nitrogen touching base with clients weekly, in contrast to just 8% among other advisors.

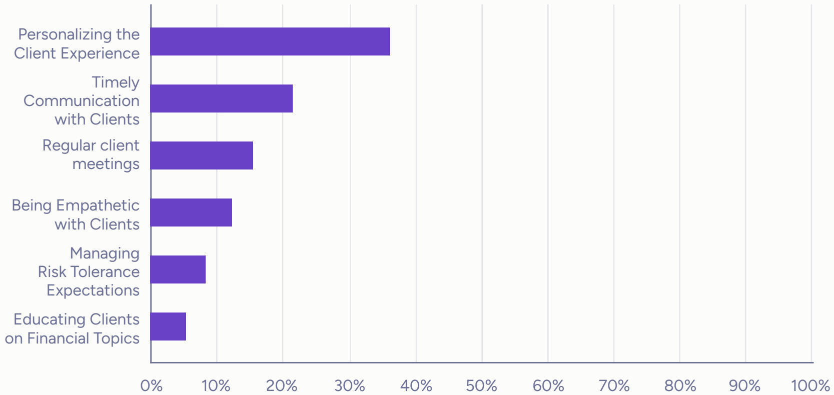
The infrequent communication with clients observed in some quarters could stem from an excessive dependence on manual means. A significant 24% of advisors acknowledge the absence of automation in their client communication practices, relying solely on conventional meetings for interaction (Figure 21).

Figure 21: The percentage of client communication advisors automate outside of regular meetings



Even so, financial advisors rank “personalizing the client experience” and “timely communication” as more effective in building client relationships than regular meetings (Figure 22) – and most advisors believe the right technology can drive client satisfaction overall. It appears that if timely, frequent, and personalized communication drives growth, advisors would benefit from investing in technology that streamlines those processes.

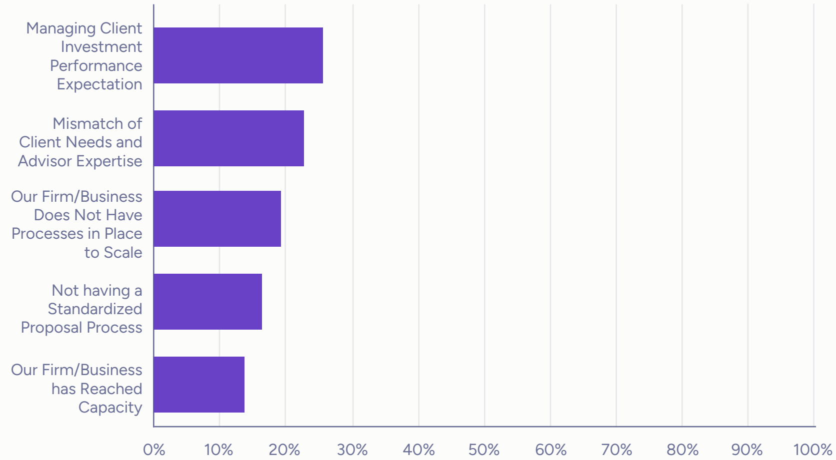
Figure 22: The strategy survey participants have found to be most effective in building client relationships



Additionally, almost one-third of advisors are convinced that a personalized yet scalable approach to client engagement is the single best strategy for setting their firm apart from competitors. Twenty percent of advisors advocate for focusing on a specific niche as the most effective means of differentiation, whereas 16% emphasize the significance of rapid responses to client inquiries as a key factor in making their firm more distinctive.

In the arena of acquiring new clients, advisors pinpoint the management of client investment performance expectations as the foremost challenge, followed closely by a discrepancy between client needs and advisor expertise and the absence of scalable processes (Figure 23).

Figure 23: The single biggest barrier to landing a new client



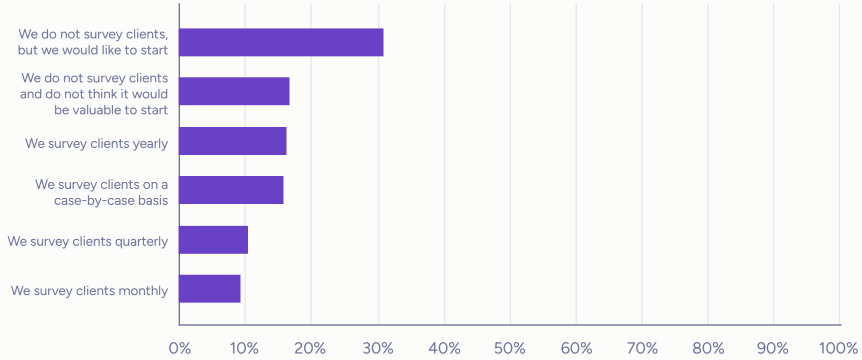
As far as the proposal process, a third of advisors have no standard proposal generation in place, instead leaving each advisor to generate their own. The lack of standardization risks inconsistent client experiences throughout firms and may be preventing advisors from successfully growing their books of clients.

Measuring, Tracking, and Responding to Client Needs

Client satisfaction is paramount to growth and referrals – but how are firms putting numbers to it (if at all)?

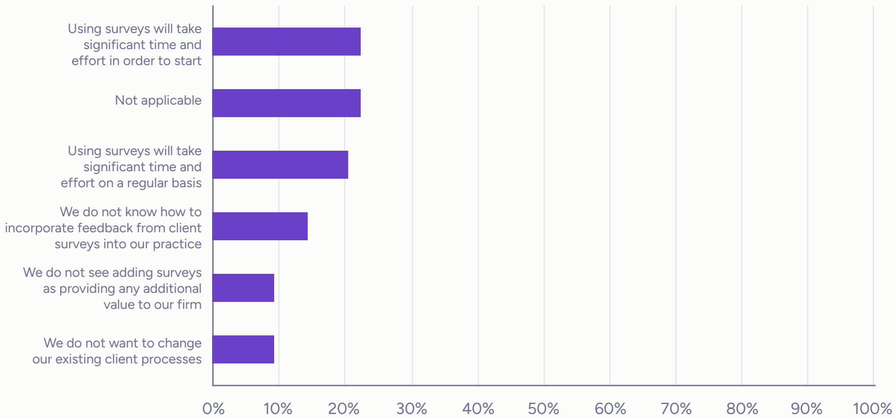
The primary strategy advisors employ to gauge client engagement and satisfaction is through client meetings, with client reviews coming in as a close second. Although surveys present a straightforward and more regular means of gathering precise feedback, a mere 9% of advisors opt for client surveys as their tool for assessing client satisfaction (Figure 24). Among those utilizing surveys for this purpose, 18% have fully automated the survey process. Interestingly, 31% of advisors, despite not currently using client surveys, express a keen interest in implementing them to enhance their insights into client satisfaction.

Figure 24: Survey participants that regularly survey clients to determine their degree of client satisfaction



When asked what the biggest barrier is to incorporating client surveys, time is the clear winner. Twenty-three percent of advisors point to the time and effort it would take to get started, and another 21% point to the ongoing time and effort as the primary barrier holding them back (Figure 25).

Figure 25: The biggest barrier to launching client surveys

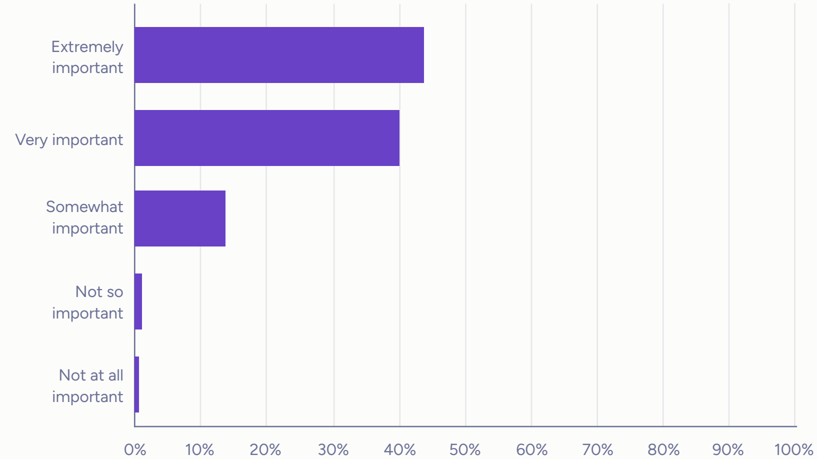


Given the already full agendas of advisors, their reluctance to incorporate client surveys into their workload is understandable. This explains the rising popularity of survey automation tools tailored for the wealth management sector, designed to be both cost-effective and effortless to implement.

Connecting Amid the Generational Wealth Transfer

As far as the Generational Wealth Transfer (GWT), which includes an estimated $84 trillion in assets transferring to younger generations, advisors are well aware of how much is at stake: 97% report that it is at least " somewhat important" to be prepared for the GWT, with 44% labeling it as "extremely important" (Figure 26).

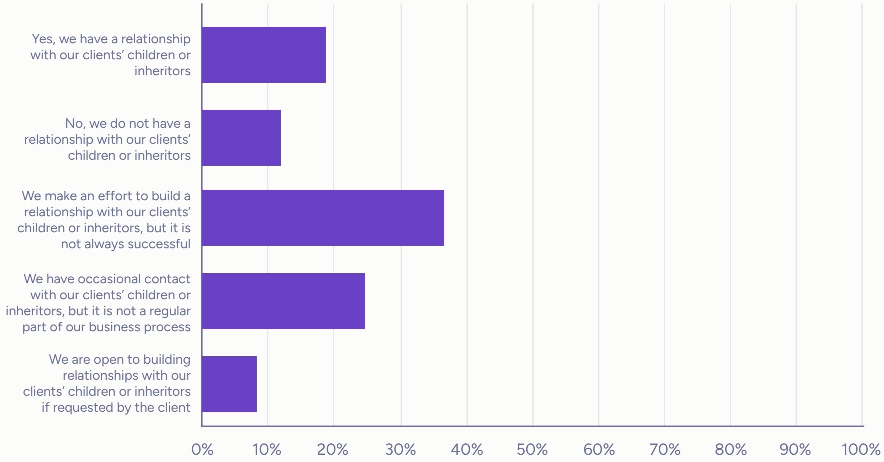
Figure 26: How important survey participants feel it is to be prepared for the Generational Wealth Transfer



But where are advisors at in terms of that goal? Most feel they are at least somewhat prepared. Twelve percent of advisors report that they are "extremely prepared" for the transition, while 16% do not feel prepared at all.

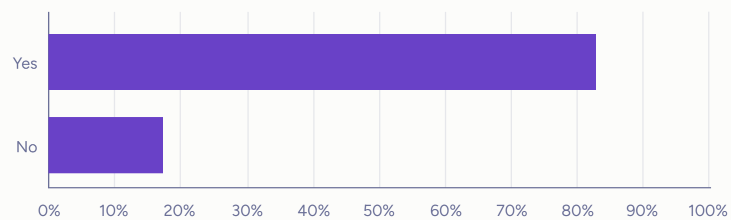
A big piece of the puzzle is building connections with the family members of current clients, whether that be spouses, children, or other loved ones. Currently, only 19% of advisors say they have a relationship with their clients' children or inheritors. Thirty-seven percent report that they make an effort to build a relationship with clients' children or inheritors, but it is not always successful. A quarter of respondents say they have occasional contact with heirs, but do not consider it a part of their regular business process.

Figure 27: How survey participants categorize their relationship with clients' children or inheritors



Advisors are having better luck with clients' spouses. Forty-two percent say they always involve clients' spouses in meetings, and 30% leave it up to the client. Only 5% of advisors say they don't typically involve spouses in the financial planning process. But even those spouses who may not be directly involved are still largely on advisors' radar: 83% of surveyed advisors say they know the risk tolerance of clients' spouses (Figure 28).

Figure 28: The amount of survey participants that report knowing the risk tolerance of your clients' spouses or partners



Even if advisors don't have direct access to clients' family members, risk tolerance software may be key in keeping those individuals looped into the overall client narrative, thus promoting relationships that can support firms during the Great Wealth Transfer.

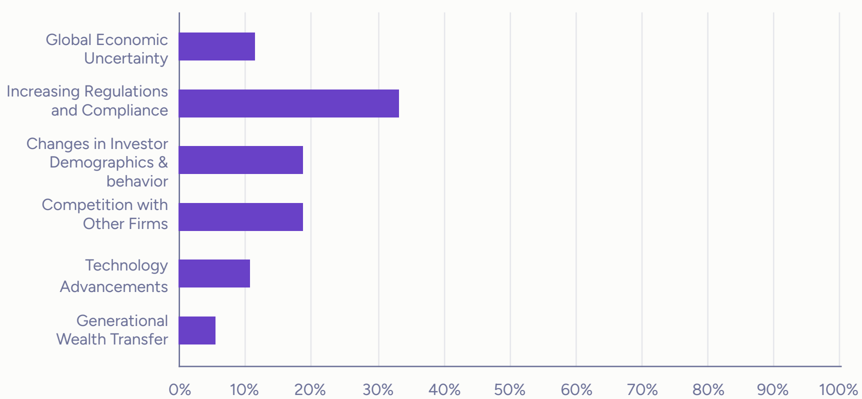
Compliance

Many advisors might wish to avoid the topic of compliance altogether, often recalling tales of cautious compliance officers who halted a marketing campaign before it could be launched. Yet, this perspective undervalues the critical role compliance plays within advisory firms and overlooks the fact that increased regulation is a primary concern for advisors looking to grow their firms.

In our survey, when advisors were asked about the greatest threats to firm growth, the majority answer (34% of responses) identified the rise in regulations and compliance requirements as a major obstacle to achieving the rapid growth they aspire to (Figure 29). Interestingly, only a small fraction (2.61%) viewed compliance as a crucial element for firm growth, a finding that might not come as a surprise to many.

Conversely, when discussing technologies that could positively influence firm growth, compliance solutions ranked low, receiving just over 1% of the votes. This juxtaposition highlights a complex relationship between the perceived value of compliance in growth strategies and its actual impact on operational success. Growth, when built upon the foundation of compliance, is not just feasible—it's essential for sustainable, long-term success.

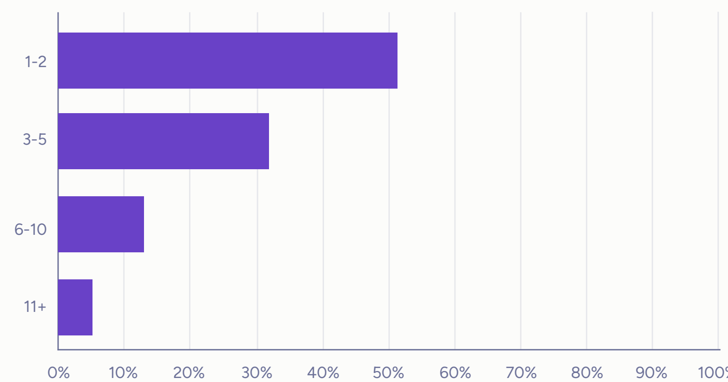
Figure 29: The biggest perceived threat to firm growth today across the profession



While the majority of advisors may not rank compliance as a growth engine, it's also impossible to run a financial services firm today without spending hours attending to compliance and regulatory requirements.

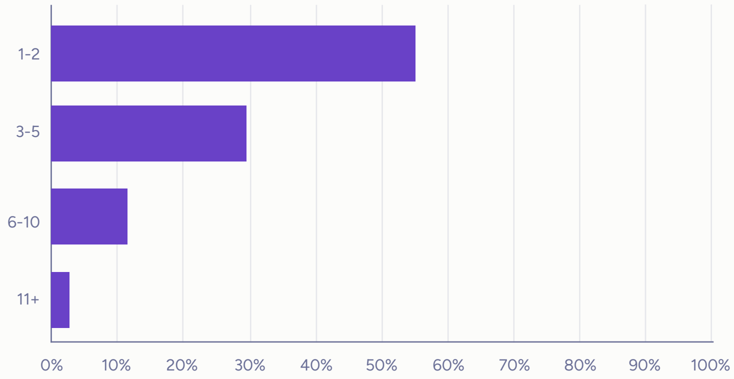
While not a worry for RIA firms, Reg BI has changed the landscape for financial professionals at broker/dealers across the country. In our survey, a sizable amount of advisors reported spending hours each week on Reg BI compliance. Over a month's time, 30% of advisors would spend upwards of 20 hours making sure they remain in compliance with the regulations (Figure 30).

Figure 30: How many hours per week survey participants spend making sure they remain in compliance with RegBI regulations



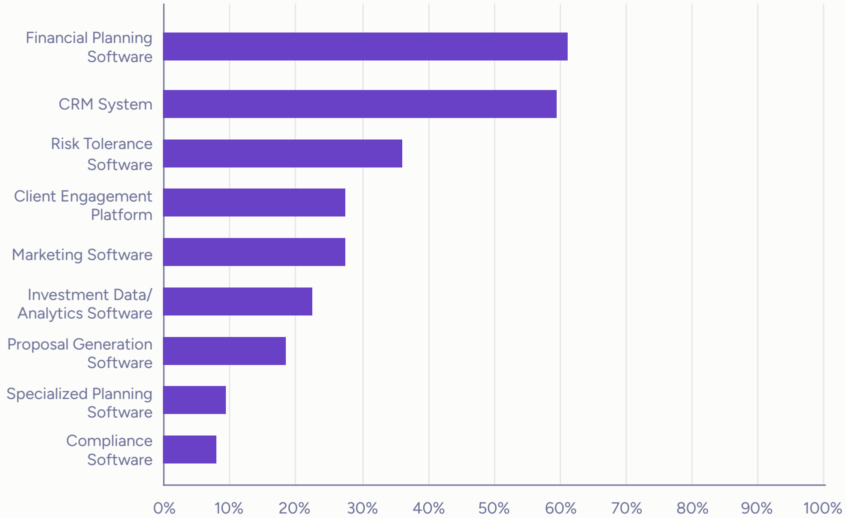
When you stack the hours spent on Reg BI compliance with time spent maintaining KYC (Know Your Client) compliance regulations each week, you see an alarming trend emerge. In short, advisors spend an inordinate amount of time each week and month on maintaining compliance, which surely takes their focus away from scaling a memorable client experience or putting more effort into growth activities (Figure 31).

Figure 31: How many hours per week survey participants spend making sure they remain in compliance with KYC regulations



And yet, despite this time burden, compliance also comes in last when firms are asked to rank the three most important tech tools for firm growth (Figure 32).

Figure 32: The top three selected most important technologies for firm growth



Advisors and firms stand to gain significantly by shifting their view on regulation and fully embracing the benefits of compliance automation. Even if the sole benefit of compliance technology is to reclaim the 20+ hours spent on average each month on compliance tasks, this newfound time can catalyze profitability enhancements. Freeing advisors from the demands of internal record-keeping allows them to concentrate on sales and marketing initiatives, nurturing a growth-oriented mindset that is essential for success.

The Nitrogen Platform

It's easy to think of engagement as something you do either with existing clients or with leads, but successful firms strive to maximize engagement continually in both arenas. While concerns like increasing regulations, economic uncertainty, and the great wealth transfer loom large in the minds of advisors, the need for financial advice does not show any signs of slowing down. Survey analysis reveals that advisors who prioritize communication, engagement, and client satisfaction are future-proofing themselves for whatever the future may hold.

The survey also reinforces the direct correlation between client experience and firm growth. It's no coincidence that Nitrogen customers communicate with their clients more and are more than twice as likely to report AUM growth north of 20%.

The Nitrogen Platform is built on the fact that there are multiple inputs and value to prioritizing growth – and it's not just for new leads. As the world's first comprehensive purpose-built growth and engagement platform, Nitrogen makes ongoing two-way communication easy with tools like the Risk Survey, Stress Tests, Scenarios, and automated client check-ins. By streamlining engagement, the Nitrogen Platform makes your processes scalable as you grow.

Increasing Client Satisfaction

Nitrogen offers a popular feature called "Check-ins" that enables advisors to regularly engage and connect with their clients in a streamlined manner. With Check-ins, advisors can schedule and send two questions to their clients at the click of a button, to see (one) how they feel about the market, and (two) how they feel about their portfolio. This functionality facilitates effective communication and collaboration between advisors and their clients, fostering a proactive approach to wealth management and ensuring that clients receive ongoing support and attention from their advisors. Based on our in-product data collected through Check-ins, client sentiment about the market typically mirrors how the market is performing at any given time–when the market is low, so is market sentiment. However, clients have improved portfolio sentiment over time, even when their stock market sentiment is low.

Managing Client Expectations

A key element of a growth platform is empowering advisors to set the right expectations with their clients. The Risk Number® is a distinctive metric provided by the Nitrogen growth platform based on a Nobel prize-winning framework that helps advisors evaluate and understand their clients' unique risk tolerance level. By utilizing a combination of factors such as financial objectives, time horizon, and risk preferences, Nitrogen calculates a personalized Risk Number for each user, ensuring a more tailored and informed approach to wealth management.

Once a client's Risk Number is scored, it is only modified by the advisor 1.2 times on average over the customer life cycle, demonstrating the robustness of risk scoring. Advisors can confidently incorporate risk scoring into their practice without anticipating serious adjustments over time. In addition, when used in combination with Check-ins, advisors see a positive improvement in market, advisor, and portfolio sentiment in clients over time.

Generating High-Quality Leads

Nitrogen has designed a lead-generation questionnaire that helps advisors collect pertinent information from prospects. This questionnaire gathers key details regarding an individual's financial objectives, risk tolerance, investment preferences, and other relevant factors, and assigns that person a Risk Number®.

Nitrogen customers that use the lead generation questionnaire have 2.4x more prospects on average than customers that don't use the questionnaire.

The triple threat of Nitrogen's Check-Ins function, the Risk Number tool, and the Lead Generation Questionnaire is instrumental in aiding Nitrogen customers in both acquiring and keeping clients, while transforming them into referral champions. By integrating these potent tools, Nitrogen customers can draw in the right leads, convert them into clients, and keep them engaged through tailored wealth management strategies. Happy clients who are satisfied with the personalized service and ongoing assistance are more likely to advocate for the platform, endorsing it with their friends and family and helping you grow in the process.

Discussion

Client satisfaction does not happen accidentally. By investing in client engagement tools that automate where possible and streamline communication, these future-minded advisors position themselves on a firm foundation of client retention and referrals. The Nitrogen Growth Platform offers a solution for financial advisors looking to create a client experience that truly engages everyone – from first touch to annual reviews. As the financial landscape continues to evolve, prioritizing engagement becomes imperative for long-term success and sustained growth.

Nitrogen

About Nitrogen

Nitrogen revolutionized how financial advisors and wealth management firms grow with the launch of Riskalyze in 2011. Today, Nitrogen is the growth platform for wealth management firms, helping advisors turn leads into meetings, meetings into valued clients, and clients into referral champions. The company invented the Risk Number®, built on top of a Nobel Prize-winning academic framework, and is the champion of the Fearless Investing Movement — tens of thousands of financial advisors committed to our mission of empowering the world to invest fearlessly. To learn more, visit NitrogenWealth.com.

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