The Key to Gaining Wallet Share:

Understanding How Clients Think

A NEW BEHAVIORAL STUDY IDENTIFIES THE EMOTIONS THAT DRIVE CLIENT DECISIONS ON MANAGING THEIR MONEY WITH AN ADVISOR.

Key Takeaways

- FlexShares' research shows that a client's relationship with money and the amount of assets they choose to allocate to an advisor are strongly driven by emotions and beliefs.
- By identifying and understanding these emotions, it's possible to sort clients into distinct personas.
- Advisors should use these personas to develop a more client-centric approach to growing AUM.

One of the primary ways advisors try to grow assets under management is by convincing existing clients to invest more of their money with the firm. However, growing wallet share with existing clients isn't as easy as one would think: Simply asking clients for more money to manage doesn't always work.

To date, there has been very little advice regarding other approaches that might be more effective. One reason is that increasing wallet share requires advisors to understand and accommodate deep-seated client emotions that drive their behavior. Much of this revolves around how trusting a client is. While the trust factor is a key element of gaining wallet share, understanding trust can be tricky and interwoven with other emotional factors.

Fundamentally, to build trust, advisors must first understand each client's relationship with money — and how that affects the client/advisor relationship. By unlocking the client's emotions, advisors can pave the way for a more collaborative and productive future.

UNDERSTANDING THE MIND OF THE CLIENT

New FlexShares behavioral research into investors' existing beliefs, fears, past experiences, and capacity for trust suggests it's possible to segment clients into five distinct personas based on how their emotions drive behavior related to how they allocate assets to advisors. Understanding how the key characteristics of these personas affect client advisor allocation decisions can guide advisors to the conversations and actions necessary to build deeper, longer-lasting relationships — ones that ultimately can lead to winning a greater share of their clients' wallets.

FlexShares partnered with social scientists trained at the University of Chicago to identify common behavioral tendencies among clients. The study relied on both in-depth interviews and an online survey of financial decision-makers to explore why and how clients allocate assets, their attitudes toward working with an advisor, and the emotions that influence how much money they give to their advisor or advisors to manage.

FlexShares’ Wallet Share Research Methodology

In-Depth Interviews

- Sample size: 30
- Age 30 to 70
- All use a financial advisor
- 60% female/40% male
- 50% white/50% non-white
- $250,000 to $30 million in investable assets

Online Survey

- Sample size: 261
- Age 30 to 70
- Have at least one financial advisor
- 55% female/45% male
- 88% white/12% non-white
- $250,000 to $5 million in investable assets

Our research confirmed:

1. There is no single factor that dictates how clients think about wallet share.

2. However, the findings do suggest that clients enter advisor relationships with an interrelated set of beliefs and emotions, which in turn drive their behavior.

3. More importantly, by identifying this mix of beliefs and emotions, our research made it possible to sort clients into five distinct personas.

THE POWER OF PERSONAS

1 *People come to an advisor with existing beliefs and emotions*

2 *These sort into five persona types*

3 *Advisors benefit by understanding client emotions*

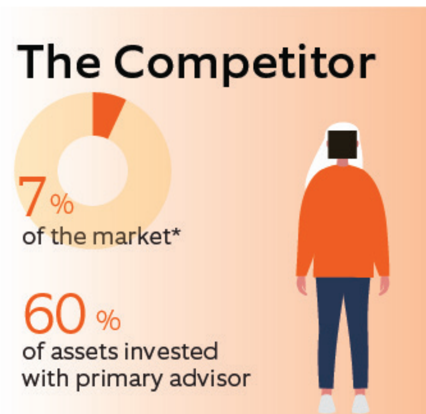
EXPLORING THE FIVE PERSONAS

Let's get to know each of these personas and the emotions that drive their behavior.

Protectors are highly risk-averse. They are skeptical about the investment industry and approach financial advisors with caution. While they may have a substantial amount of assets, they are often reluctant to cede control of those assets to an advisor.

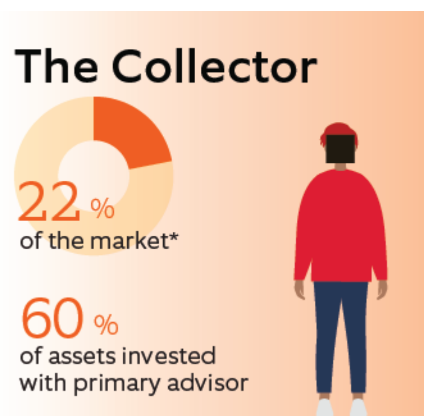
Their aversion to risk means Protectors may have more questions and concerns about their investment plans than the average client. They also frequently decline to share their complete financial picture with any single advisor.

Due to their skepticism, Protectors are typically inclined toward investing on a do-it-yourself basis. Alternatively, they may shop around for the lowest possible cost for financial services. In general, they make only minimum investments with advisors and are reticent to share information.



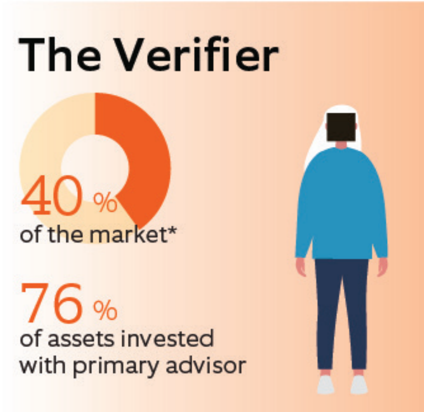
Competitors are highly driven and outcome-oriented. They prefer to have multiple advisors managing their finances so they can foster competition. They closely track relative investment performance with an eye toward allocating their funds to whoever produces the best results.

Because Competitors focus on performance, they tend to be anchored to benchmarks. This intense focus on performance means they also tend to avoid conversations about long-term planning or comprehensive strategies. Although Competitors are more likely to request advice on specific investments, they may ultimately pursue those investments elsewhere, either on their own or through another advisor.



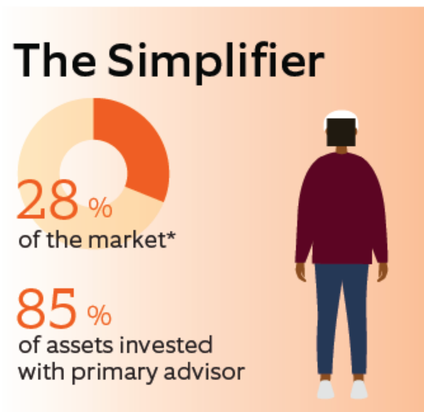
Collectors prefer to spread their assets across multiple advisors. Mitigating investment risk is just one reason they don't like to have all their eggs in one basket. They also seek varied expertise by hiring advisors with different perspectives. Having multiple advisor relationships is both a source of pride and a reflection of nervousness about their assets.

Because of their multiple relationships, Collectors tend to be well-versed in various financial brands and the products and services they offer. They may also solicit opinions on advice they receive from other advisors to backstop its legitimacy.



Verifiers expect advisors to earn their trust (and assets) over time. They are not coy about the process, either. They are transparent about assets they hold elsewhere and about their preference to consolidate those assets with an advisor who wins their trust.

Verifiers tend to have investment expertise and a desire to plan for the long term. Because personal connections with advisors are important to Verifiers, they are searching for a holistic client experience. They want their advisors to be proactive and responsive.



*Market distribution percentages represent approximations rather than exact percentages of the population.

As the name suggests, **Simplifiers** are driven by a desire to keep things as simple as possible. They prefer to have a single advisor in control of their finances, and often lack investment expertise. As a result, they are happy to delegate oversight of their investments to somebody else.

To the extent that financial advisors make their lives easier, Simplifiers have little anxiety about working with them. Their preference for simplicity also means Simplifiers often invest assets as a lump sum. Because they want to consolidate their investments, they want to work with someone they like and trust. While they may ask questions about how things work, Simplifiers generally defer to their advisor's judgment.

TAILORING YOUR STRATEGY TO CLIENT PERSONAS

Personas open up a powerful new way to approach the challenge of growing wallet share. Choosing how much to allocate with a financial advisor is rarely a rational process for clients. Like other financial decisions, it's often driven by emotions and behaviors built over a lifetime.

Understanding how emotions and beliefs translate into the traits found among clients can help advisors tailor their approach to match each persona. What works with a Competitor might not work with a Simplifier, and vice versa. But when you understand the emotions that drive each client's behavior, you can better mitigate their fears, target their needs, and build longer-lasting relationships that lead to a greater share of their wallets.

Reach out to FlexShares to learn more about how to identify your clients' personas, and which strategies work best for each one.

1-855-FlexETF (1-855-353-9383)

FIND OUT MORE

FlexShares is committed to helping advisors guide investors through the stress of the financial markets to pursue their long-term goals. The FlexShares approach to investing is, first and foremost, investor-centric and goal-oriented. We pride ourselves on our commitment to developing products that are designed to meet real-world objectives for both institutional and individual investors. Please don't hesitate to call us at 1-855-FlexETF (1-855-353-9383) or visit **www. FlexShares.com**.

IMPORTANT INFORMATION

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest.

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