



Where will wealth take clients next?

2021 EY Global Wealth Research:
Latin America key findings

■ ■ ■ ■
The better the question. The better the answer.
The better the world works.

Document outline

Methodology and approach

Executive summary

Key findings

Setting the scene

1. Service

2. Engagement

3. Purpose

This 2021 bi-annual EY study of wealth management clients explores the way clients are expecting a more connected, integrated and personalised experience, that is seamless across all channels. With a legacy of remote relationships, the client experience is now rooted in service, engagement and purpose.

To better help wealth management providers meet these changing expectations, we surveyed 2,500 wealth management clients across 21 geographies to understand what matters most to them.

Contacts



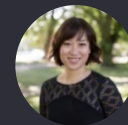
Hubert Brown

Assistant Director,
Wealth & Asset Management



Phil Hennessey

Americas FSO Consulting Senior Manager,
Wealth & Asset Management



Moonsun Kim

Americas FSO Consulting Senior Consultant,
Wealth & Asset Management

Methodology and approach

In Q4 2020, EY conducted a survey of 2,500 clients to understand their changing expectations towards service, engagement and purpose. The findings extend the conclusions drawn out in our 2019 report describing what clients valued and how it was evolving rapidly.

Parameters	Client profile	Client respondents
2,500 end-clients	Wealth segment (assets) ▶ UHNW (US\$30m+) ▶ VHNW (US\$5m-US\$29.9m) ▶ HNW (US\$1m to US\$4.9m) ▶ Affluent (US\$250K to US\$1m) Age ▶ Millennials (21 to 40) ▶ Gen X (40 to 65) ▶ Baby Boomers (65+) Varied respondents based on the following categories: Education, Occupation, Risk Tolerance, "Psychographic" profiles	Latin America clients114 Argentina20 Brazil49 Chile20 Mexico25 Millennial38 Gen X45 Boomer31 Mass affluent29 HNW62 VHNW or UHNW23 Female17 Male97 Entrepreneur35 Senior executive67
21 Geographies	Regions: North America, Latin America, Europe, Asia Pacific	
45 survey questions	Profiling questions + topical questions Local languages survey translation	
Multi-channel	Channels: online questionnaire, phone and interviews	

For the purposes of this report - Mexico has been added in to the Latin America survey sample

A strategic focus on service and engagement with a clear emphasis on purpose holds the key to elevating client experiences

Clients are becoming more risk averse, are increasingly focused on achieving purpose-led goals and want to enhance their experience with tech-enabled wealth providers – below are their key considerations for selecting a wealth provider:

1. Service

Firms have an opportunity to develop an **ecosystem model** that delivers a consolidated network of financial products and services, maintaining the ability to diversify risk.

- While clients are expecting more for free, they are still willing to pay extra for a tailored and more holistic experience.
- Demand for diversifying financial products, most notably greater use of alternative investments, is strong.
- Nearly half of investors want to consolidate their financial activities in one place and the vast majority of that group have yet to choose a single provider.

2. Engagement

Flexible interactions are more important than ever – increasingly, wealth providers will not be able to depend entirely on advisors or digital tools.

- High-quality, data-driven insights to curate digital experiences will suppress expectations that less human interaction can lead to less effective personalization.
- Firms should overtly demonstrate the links between the sharing of data, the identification of tailored services, and positive resulting outcomes.
- Clients expect flexible platforms that evolve around their needs.

3. Purpose

Clients are now **investing for purpose** and looking beyond return on investment, making it more challenging than ever to understand clients' unique needs.

- Clients with sustainability goals are twice as likely to switch providers who share similar purpose.
- Only a minority of clients expect to solely rely on traditional investing by 2024.
- Clients increasingly view D&I as both a sustainability goal, a key driver of provider choice and important in building strong advisor relationships.

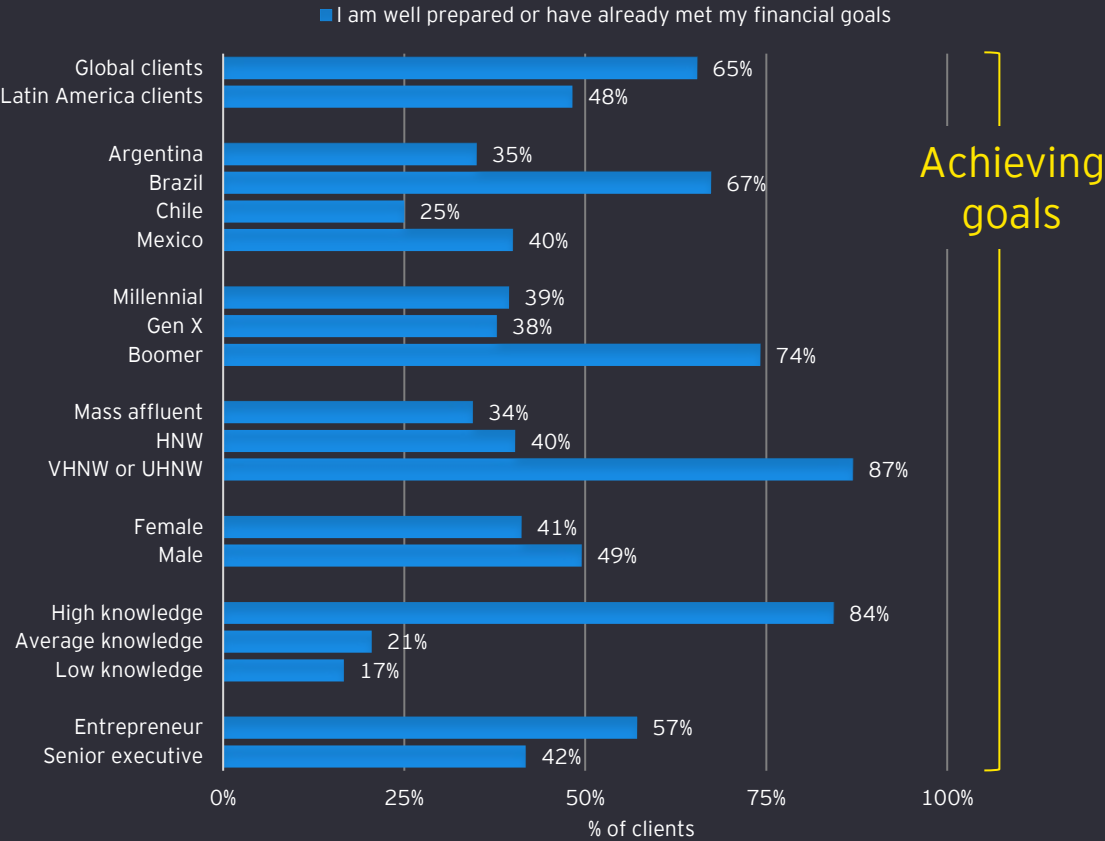
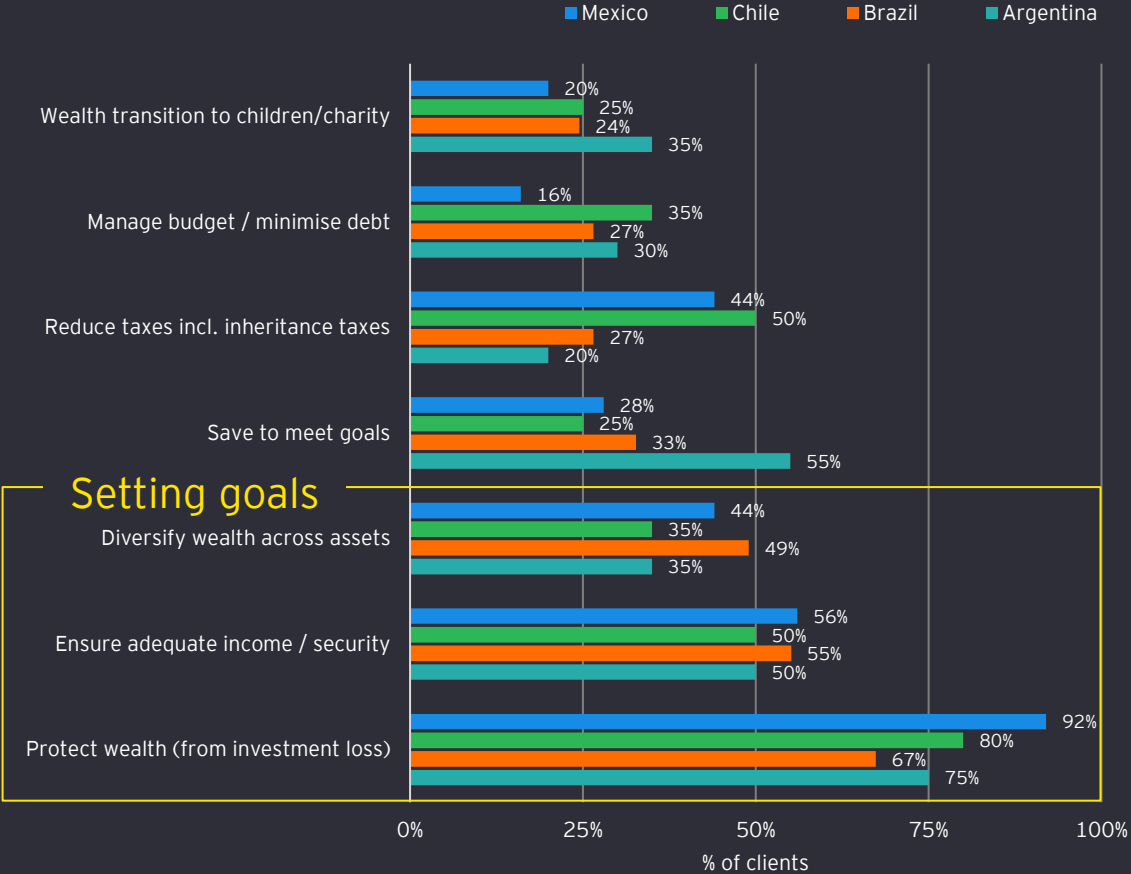


Setting the scene

An overview of seven vital client trends –
essential background for the report's key findings

Achieving financial goals

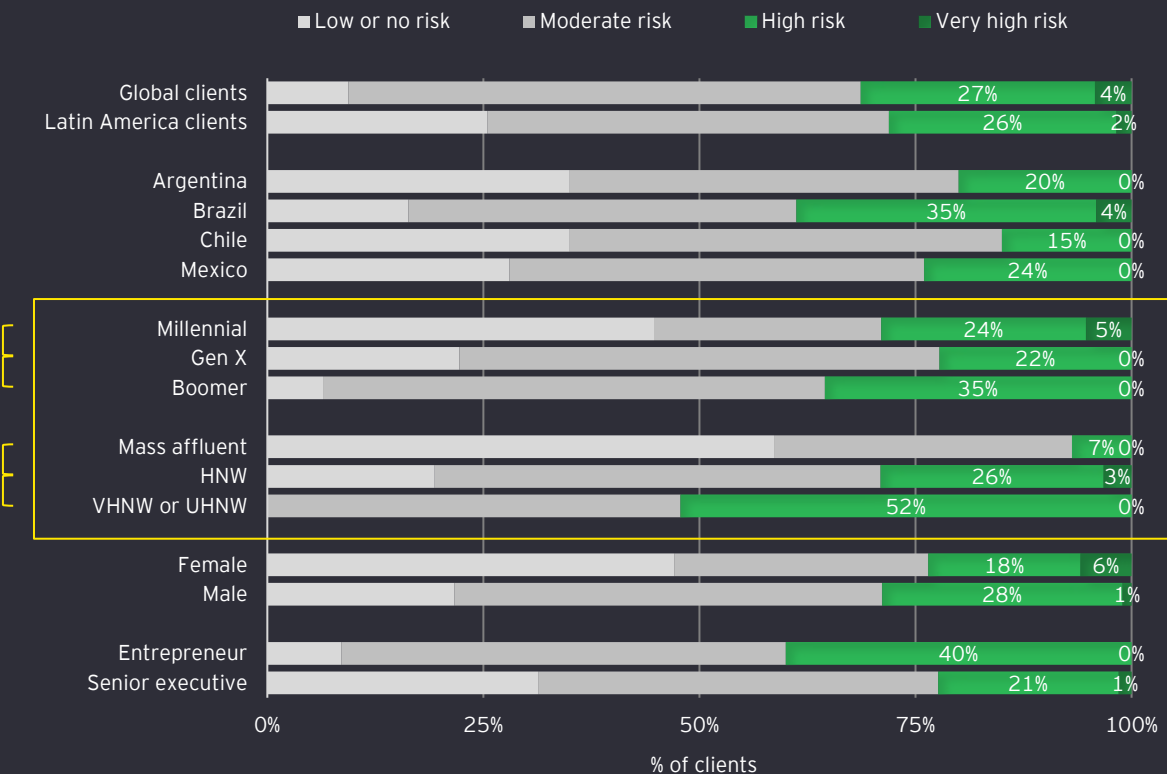
Clients have narrowed their set of financial goals. They are increasingly focused on protecting their wealth and ensuring financial security with 48% of clients indicating they are well prepared to meet these goals.



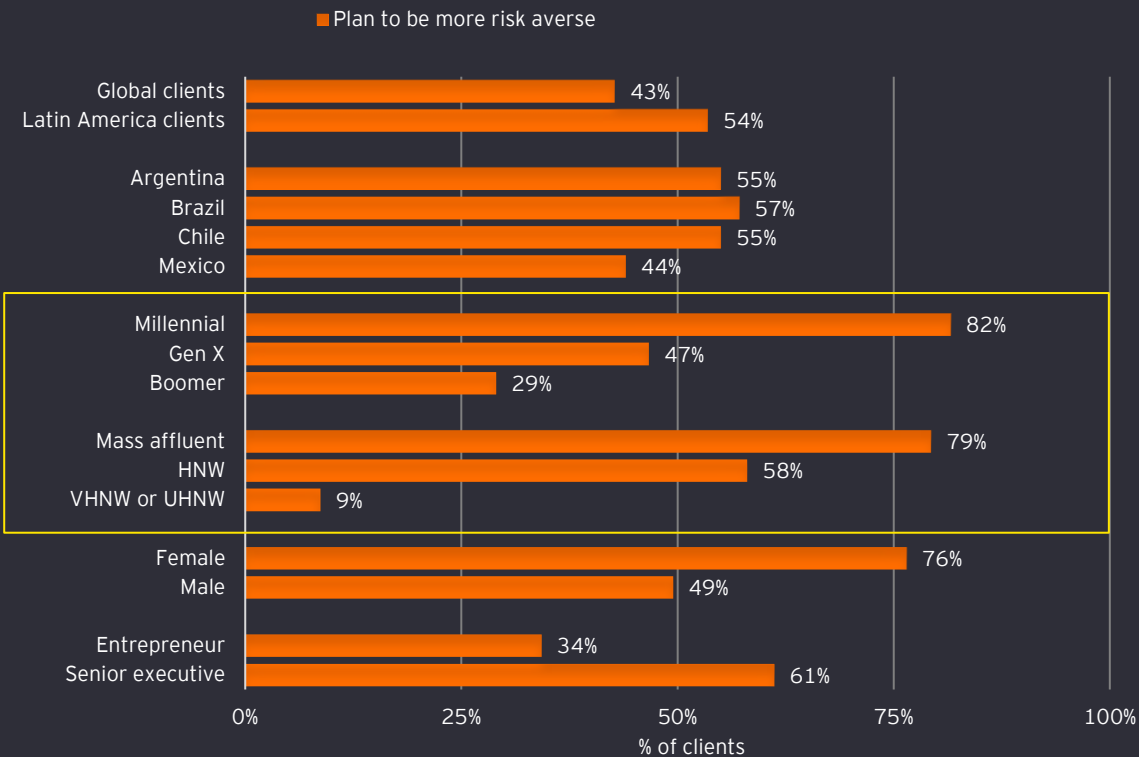
Risk tolerances are changing

Wealth management clients as a whole are risk averse, with Covid-19 further altering the risk tolerances of clients, particularly amongst the millennial audience.

Current risk tolerance levels



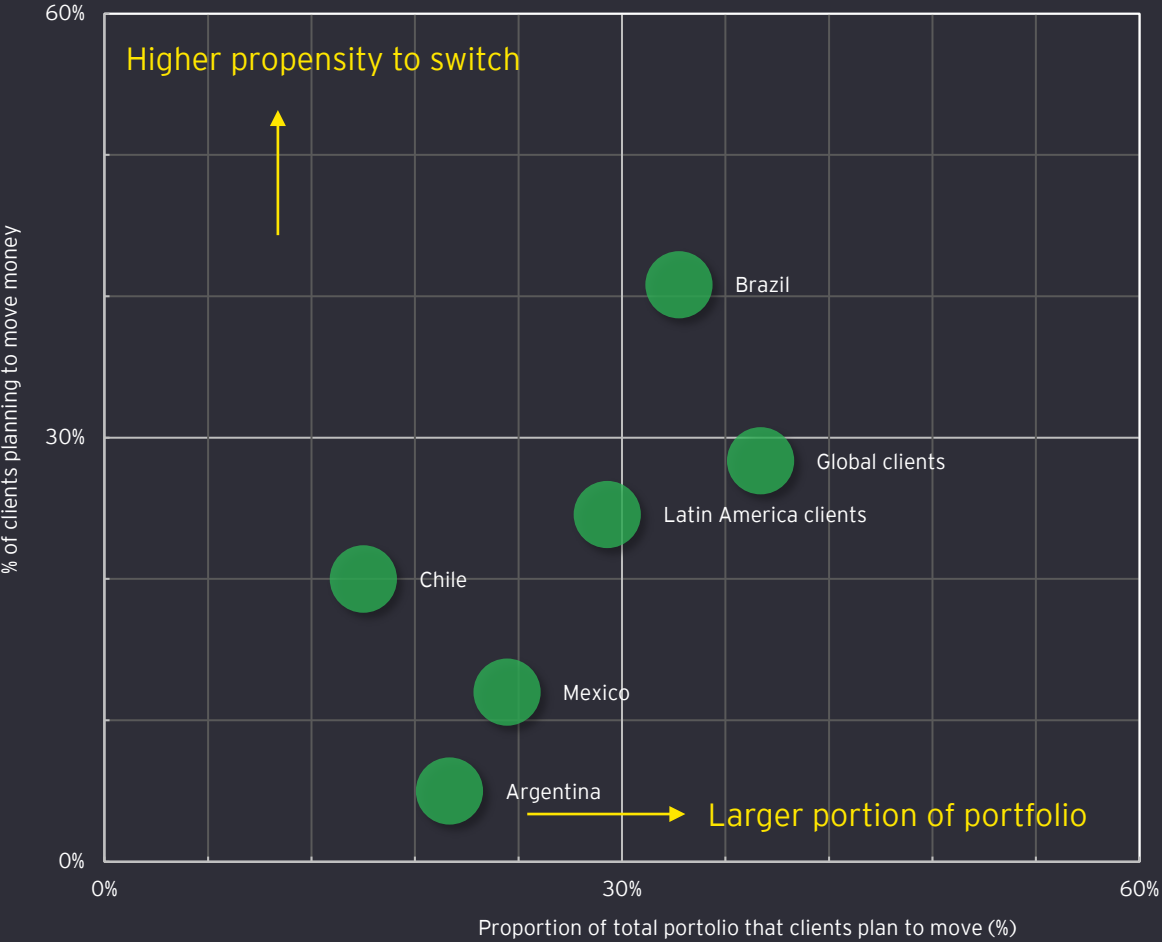
Risk tolerance change, as a result of Covid-19



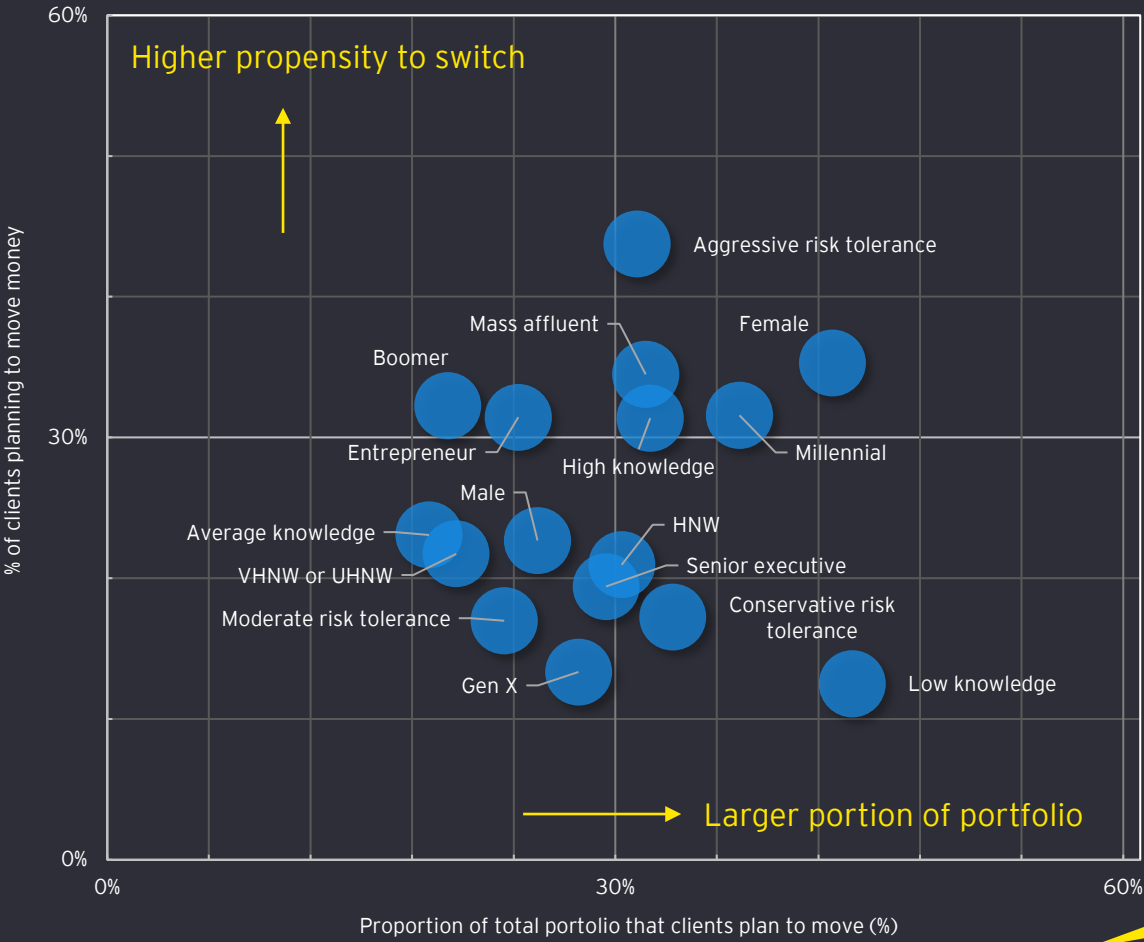
Movement of client assets

EY found that those clients who are looking to move assets to another provider will typically move 25% of their investible wealth portfolio.

Asset movement by market

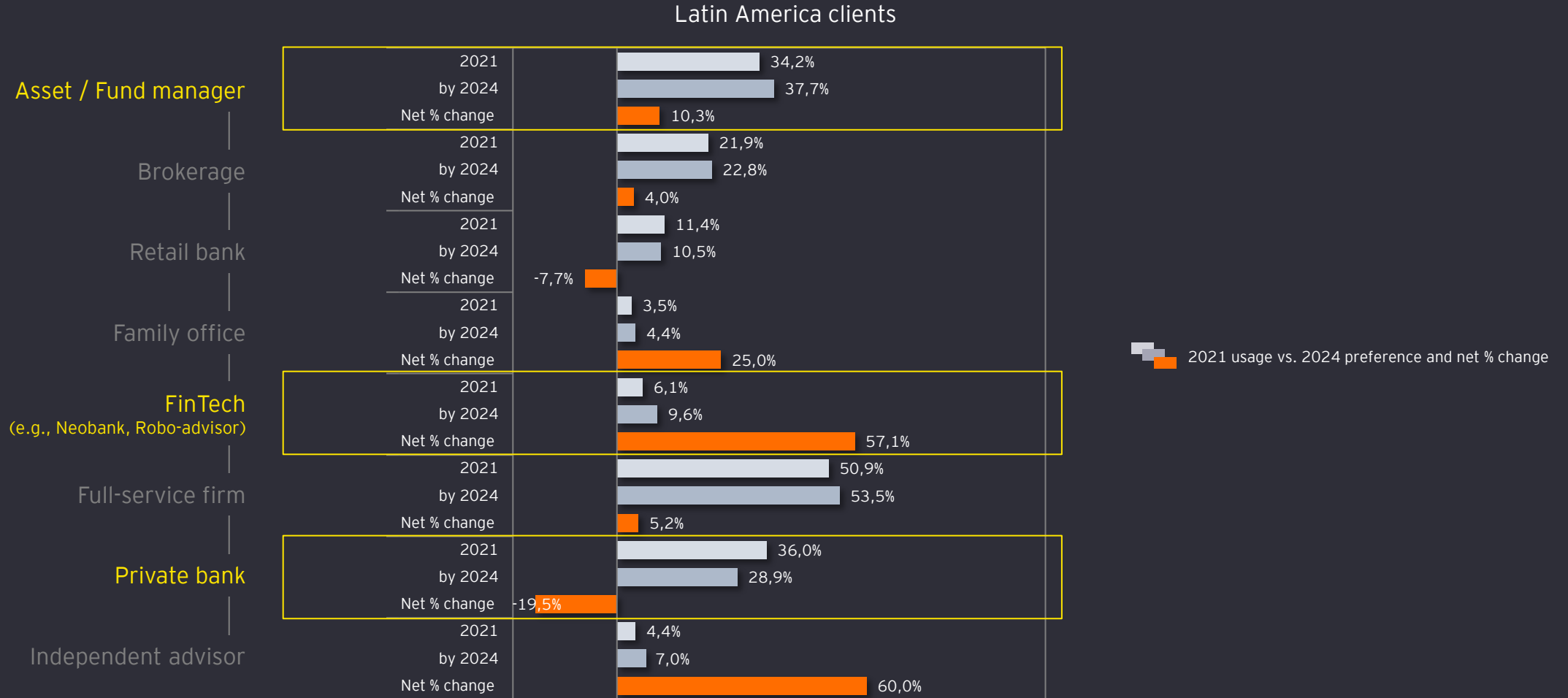


Asset movement by client segment



Financial provider relationships

Clients plan to adopt more digitally enabled wealth services, as FinTechs look set to make gains.



Note: % change figures may differ due to rounding; figures are for % of clients

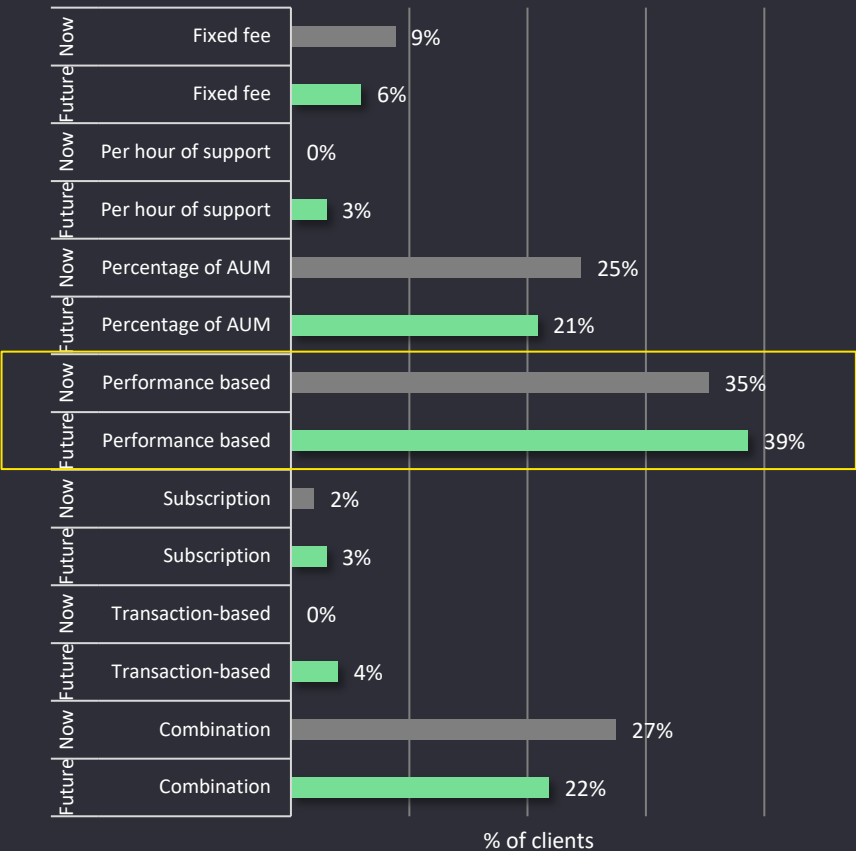
Fee preference changes

For discretionary wealth management, there is growing preference for performance-based fees, which can create a stronger perception of alignment between charges and value creation.

LATAM
clients

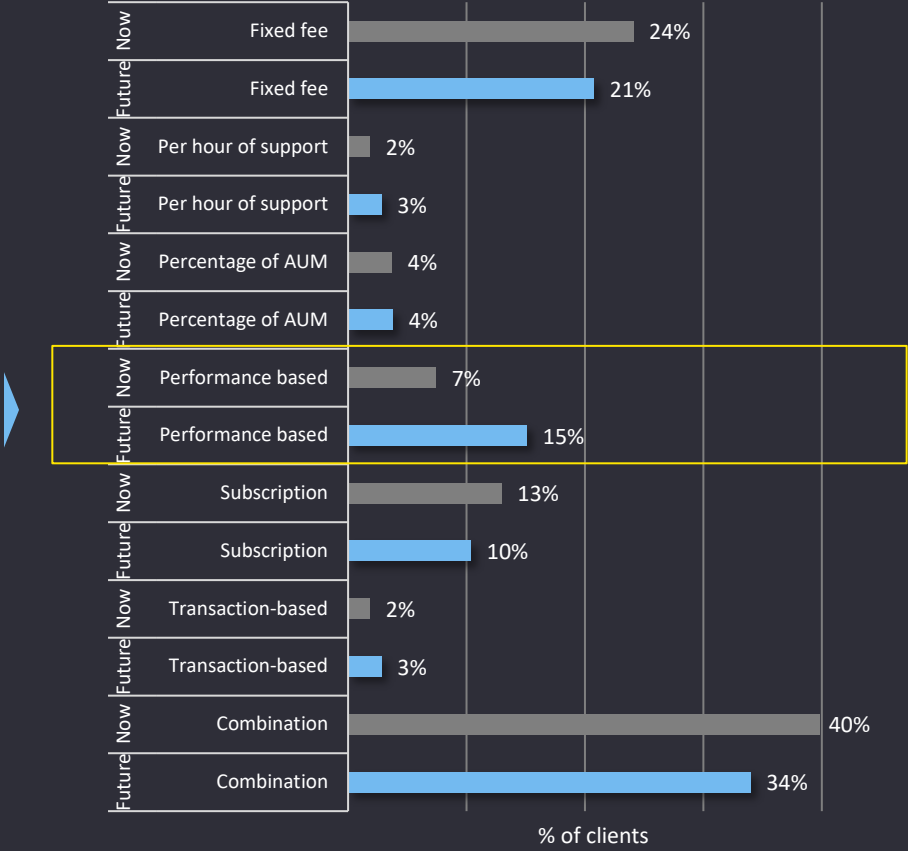
Discretionary wealth management

(where an advisor makes and implements investment decisions)



Advisory wealth management

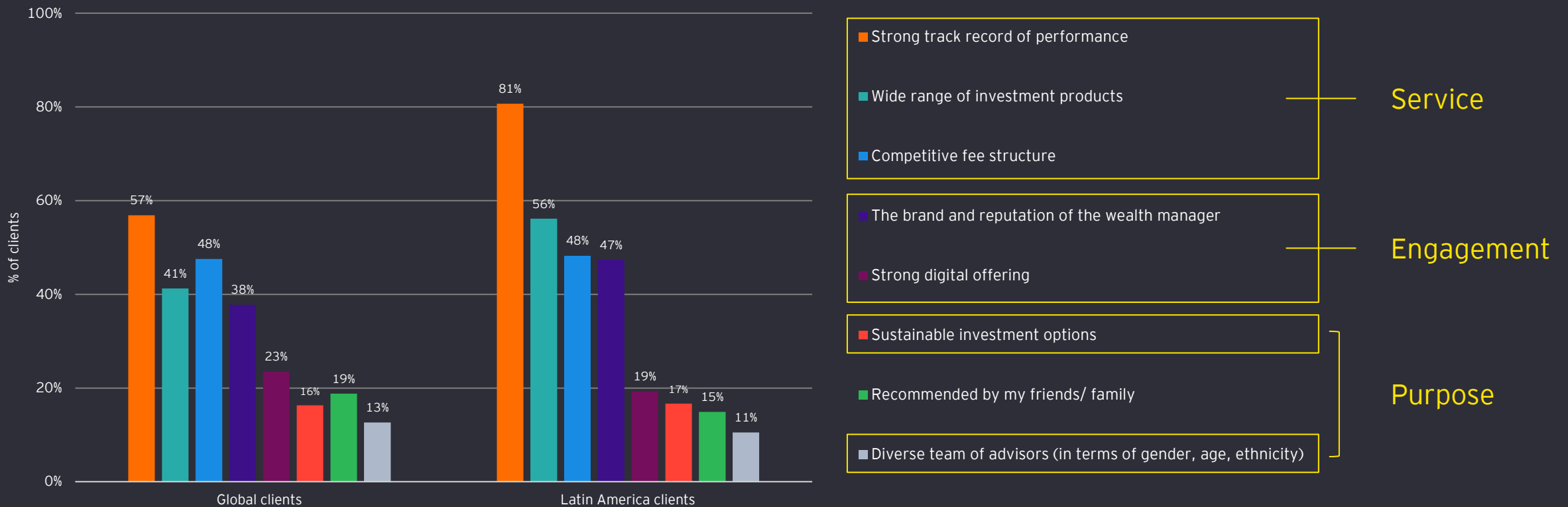
(where an advisor provides guidance to help make investment decisions)



Note: the chart does not include “I don’t know” or “not applicable” responses; AUM – Assets under management

Selecting a wealth manager

As clients commence a new provider relationship, they are focused on a range of factors, these cover three key dimensions of the wealth proposition: service, engagement and purpose



1

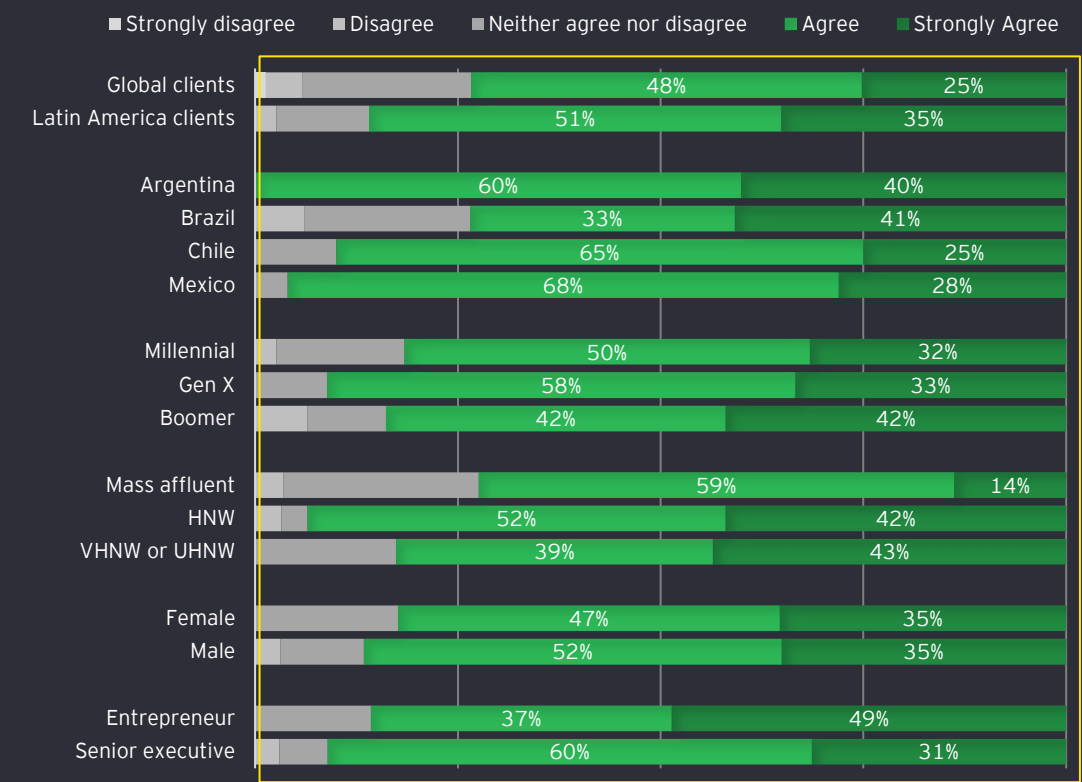
Service

The nature of value –
and how it's delivered is changing

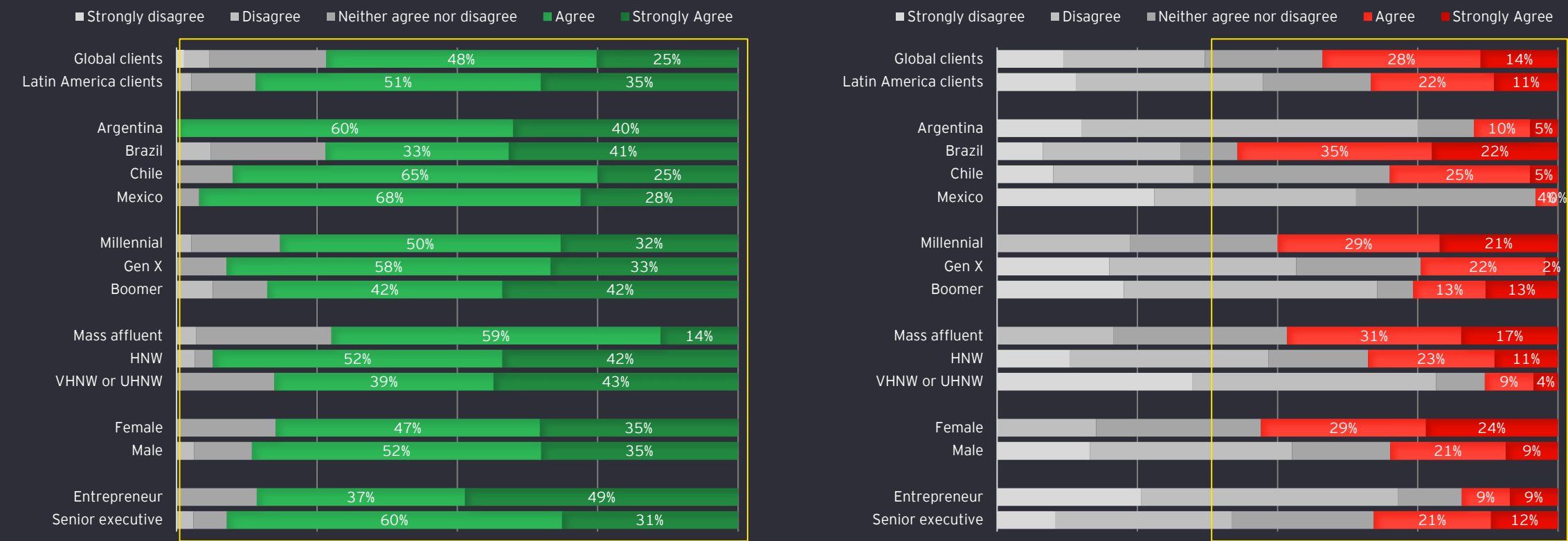
Delivering value for money

Client perceptions of transparency and value for money are improving. However, some clients still remain concerned about hidden costs.

Receiving value for money



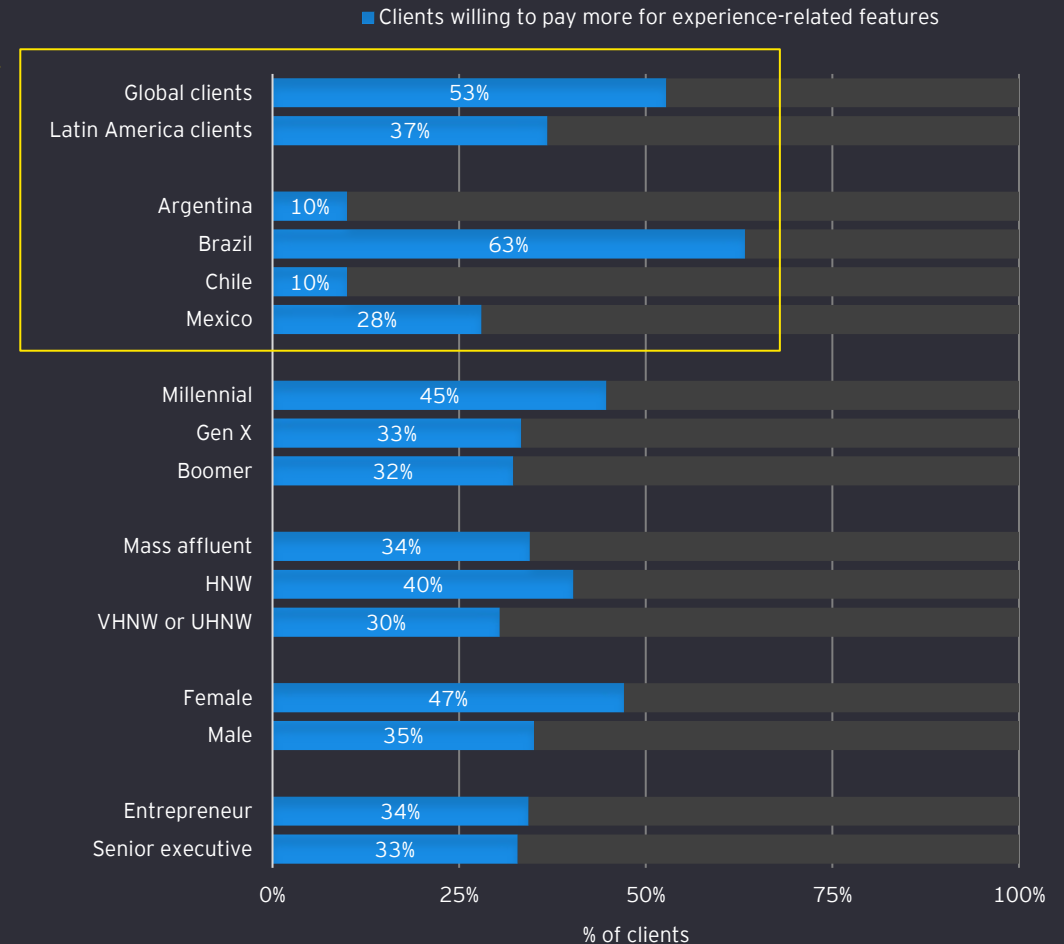
Concern for hidden costs



Paying more for a better experience

There are growing expectations for the 'basic' elements of wealth offerings to be provided at zero cost. The good news is that for Brazilian clients there is a link between positive experiences and a willingness to pay more.

Experience	Easily accessible and consolidated view of all your financial products and wealth in one place	✓ .
Experience	Better, exclusive and more reliable digital services	✓ .
Experience	More quality and quantity of contact with my adviser	✓ .
Experience	Financial training and education tailored to you	✓ .
Experience	A membership connecting you with other financial or specialist services	✓ .
Product	More personalised recommendations for specific products and services	■ .
Product	A larger variety of investment options and product types	■ .
Product	Access to specialist or 'alternative' investments (e.g. private equity)	■ .



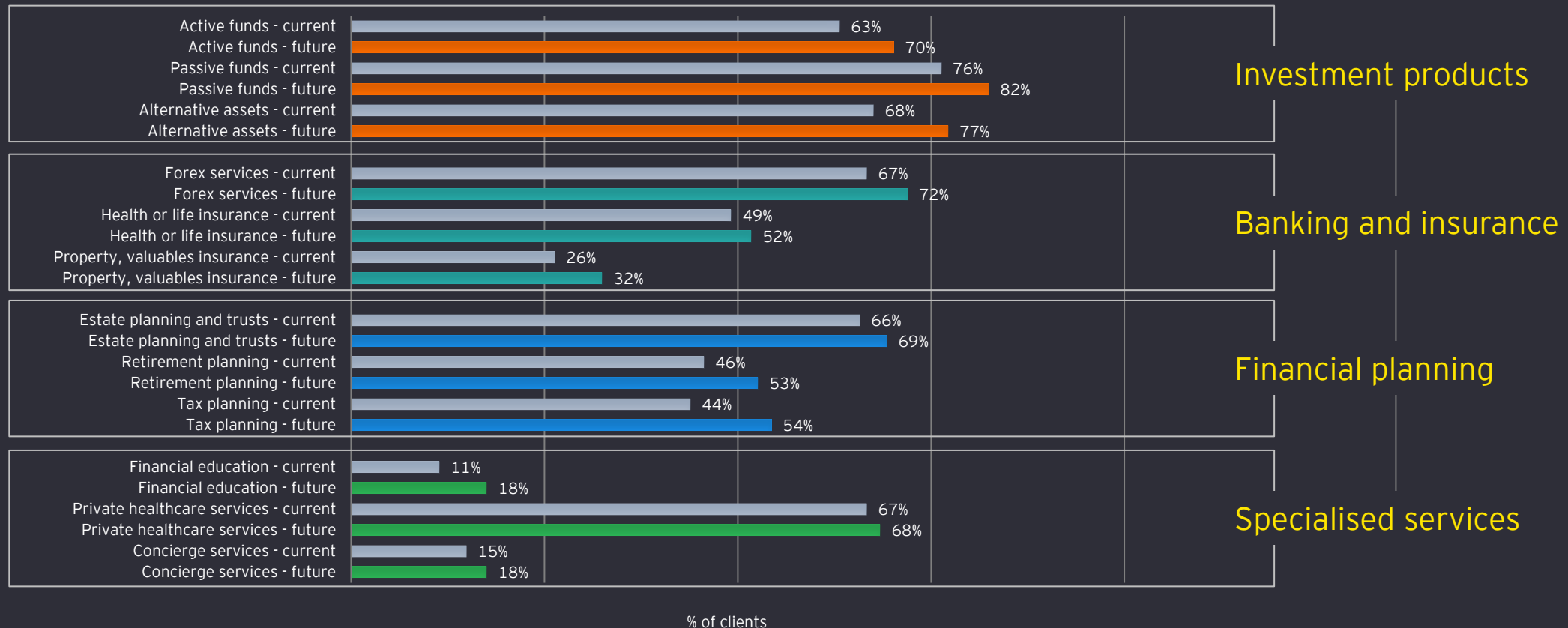
Financial services spectrum

All client groups see growing value from a wide spectrum of financial products and services, with clients expecting to diversify the financial products they use from an average of 6.0 types today to 6.7 by 2024.

Financial services usage

■ Current usage level ■ ■ ■ Future usage levels taking into account client consideration levels over the next three years

LATAM clients



Integrated financial services relationship

This is an opportunity for wealth firms to integrate a full range of financial services including banking, insurance, wealth and investments into single client relationships, unlocking gains in wallet share.



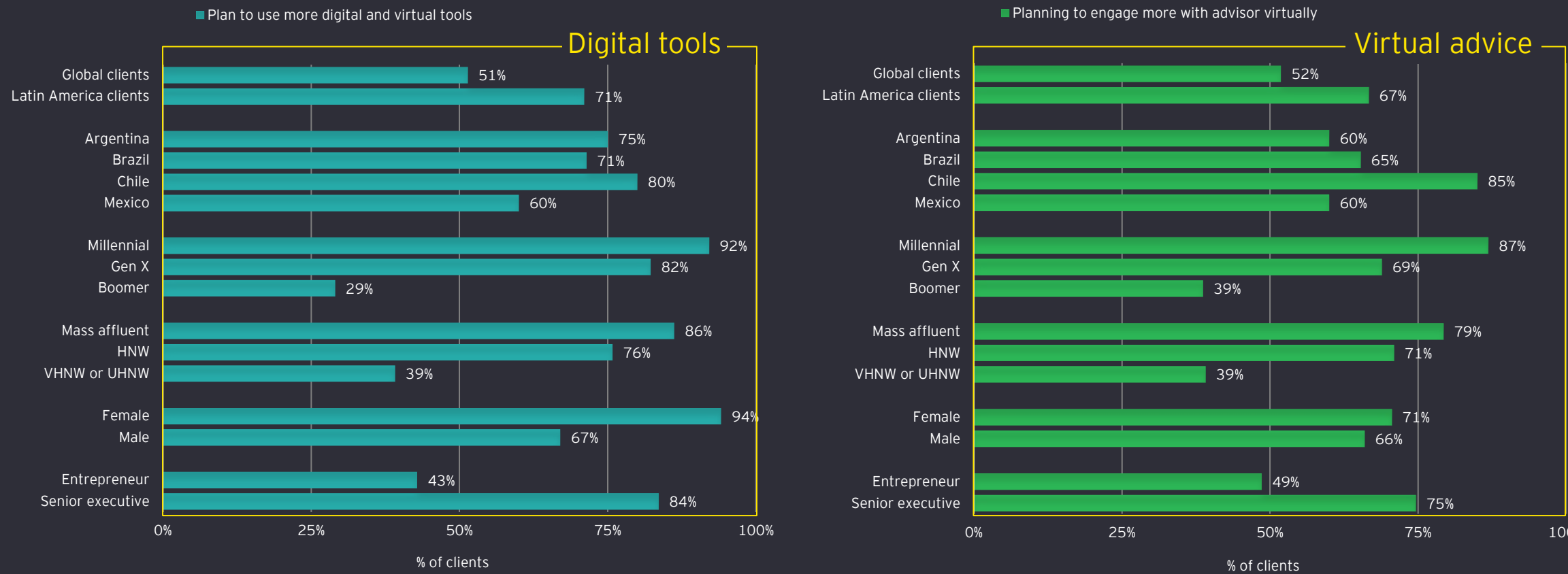
2

Engagement

Virtual doesn't have to be impersonal

Preference for digital

Wealth clients have accelerated their use of digital technology during Covid-19, and this seems certain to lead to permanent changes in the behaviour of firms and investors.



Note: the question was asked on a scale of strongly disagree to strongly agree; data has been grouped

Engagement preference

Belief in the benefits of digital tools is strong but does not mean that all clients want to shift to purely digital relationships.

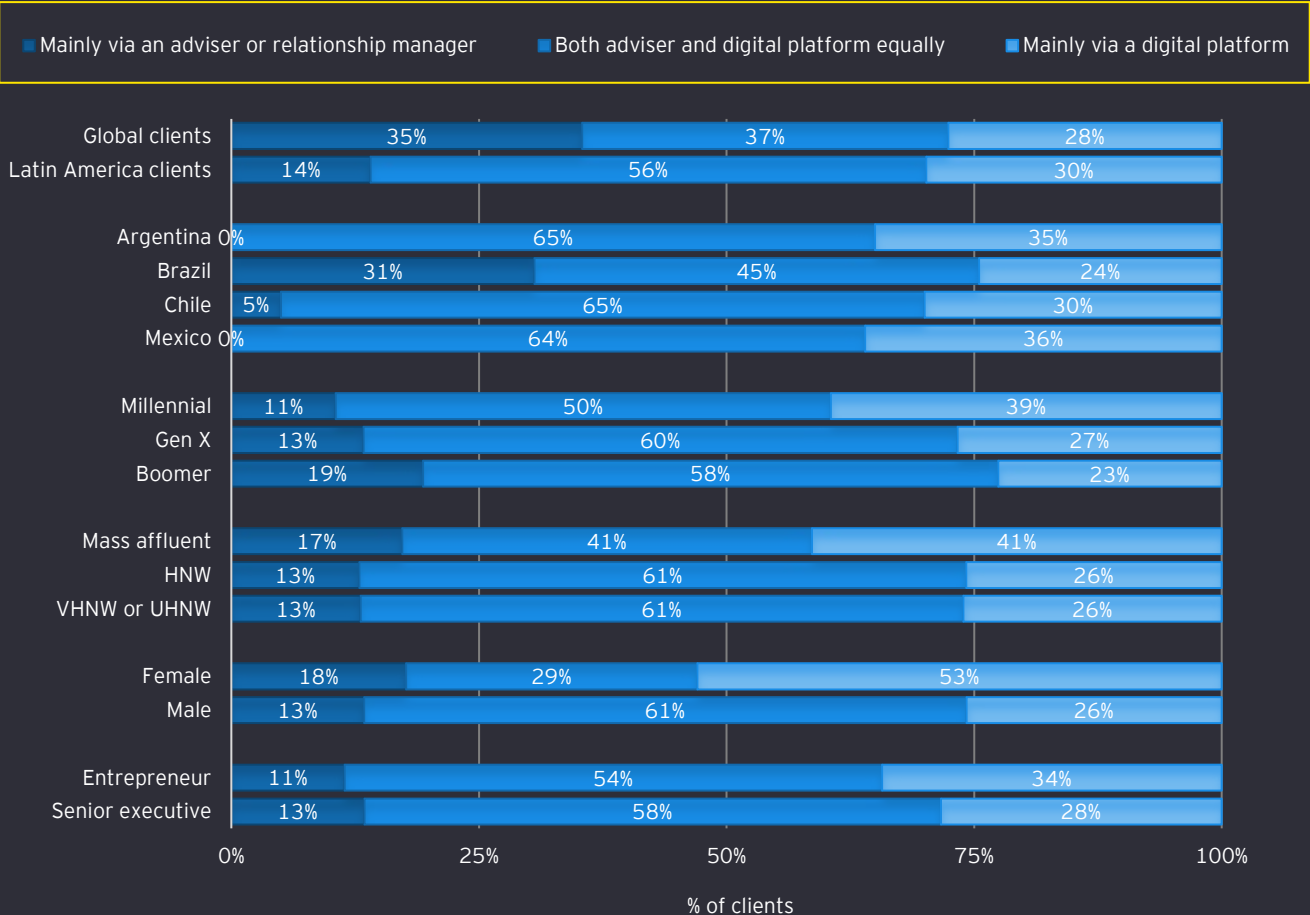
Advisor-led relationship



Hybrid-led relationship



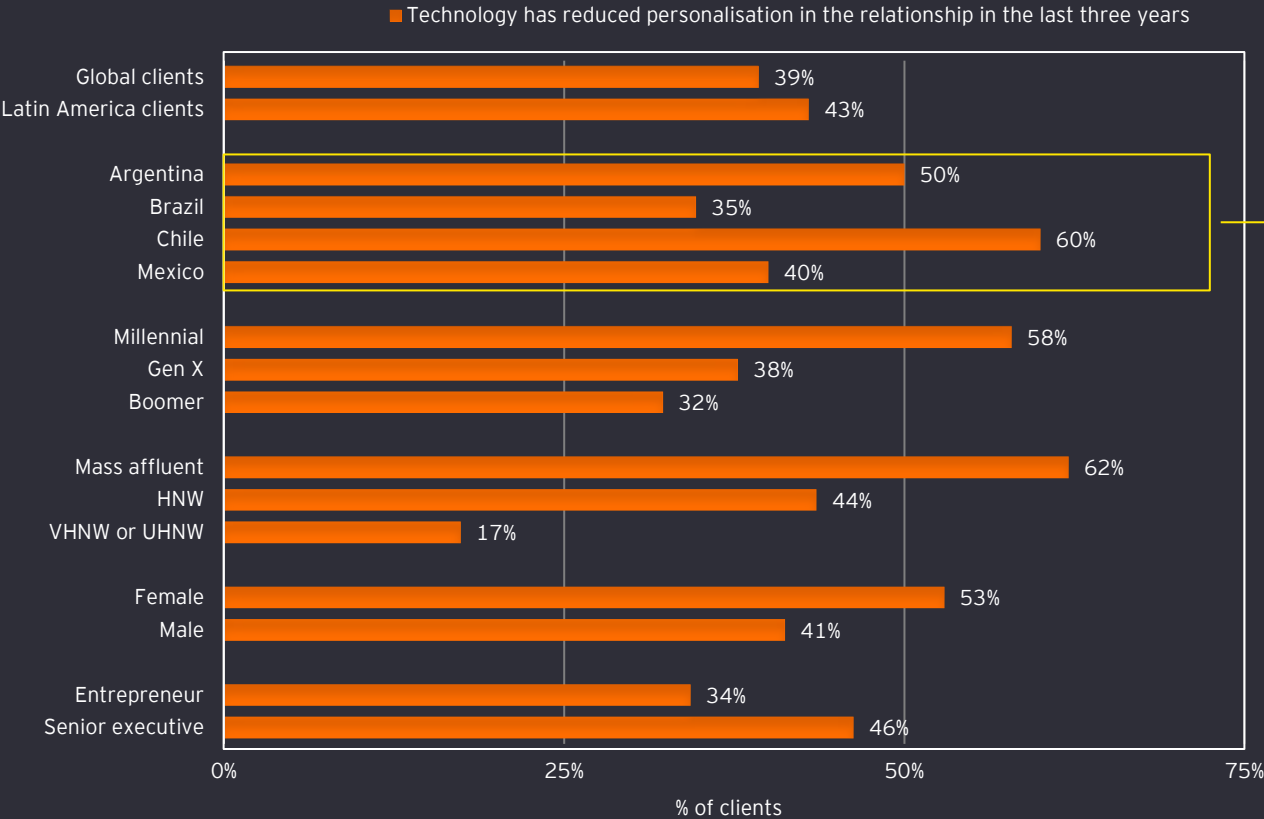
Digital-led relationship



Risk of depersonalisation

The shift to digital can also have less positive consequences, due to the risk of depersonalization firms need to ensure their digital capabilities are delivering an offering incorporating client data.

Effects of more technology use



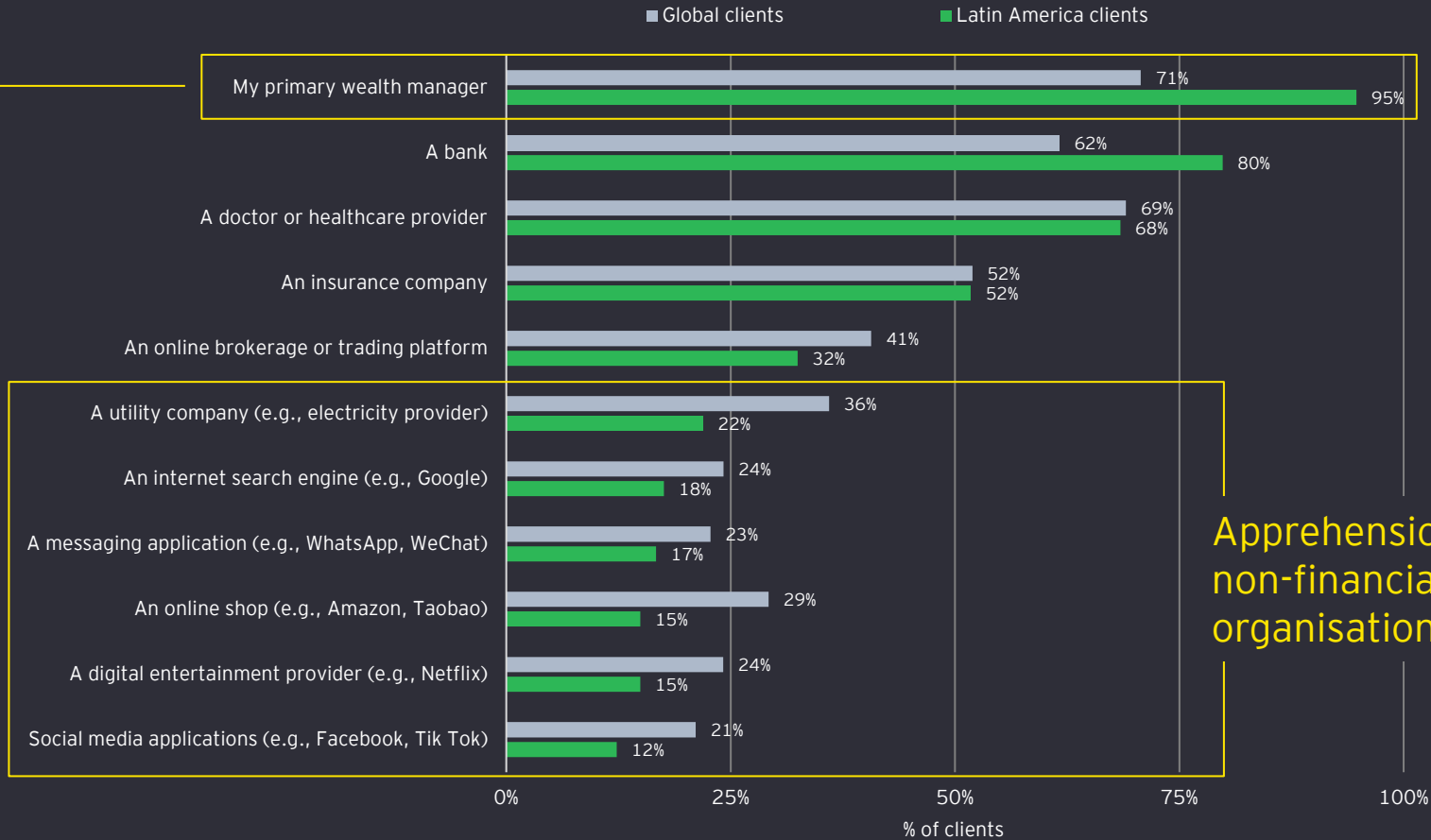
The risk of reduced personalisation varies across markets

Note: the question was asked on a scale of strongly disagree to strongly agree; data has been grouped

Unlocking client data

Clients are far more open to sharing their data, especially among younger generations. Firms can use client data in exchange for more bespoke and personalised service.

Willingness to share data to have a more personalised service or user experience



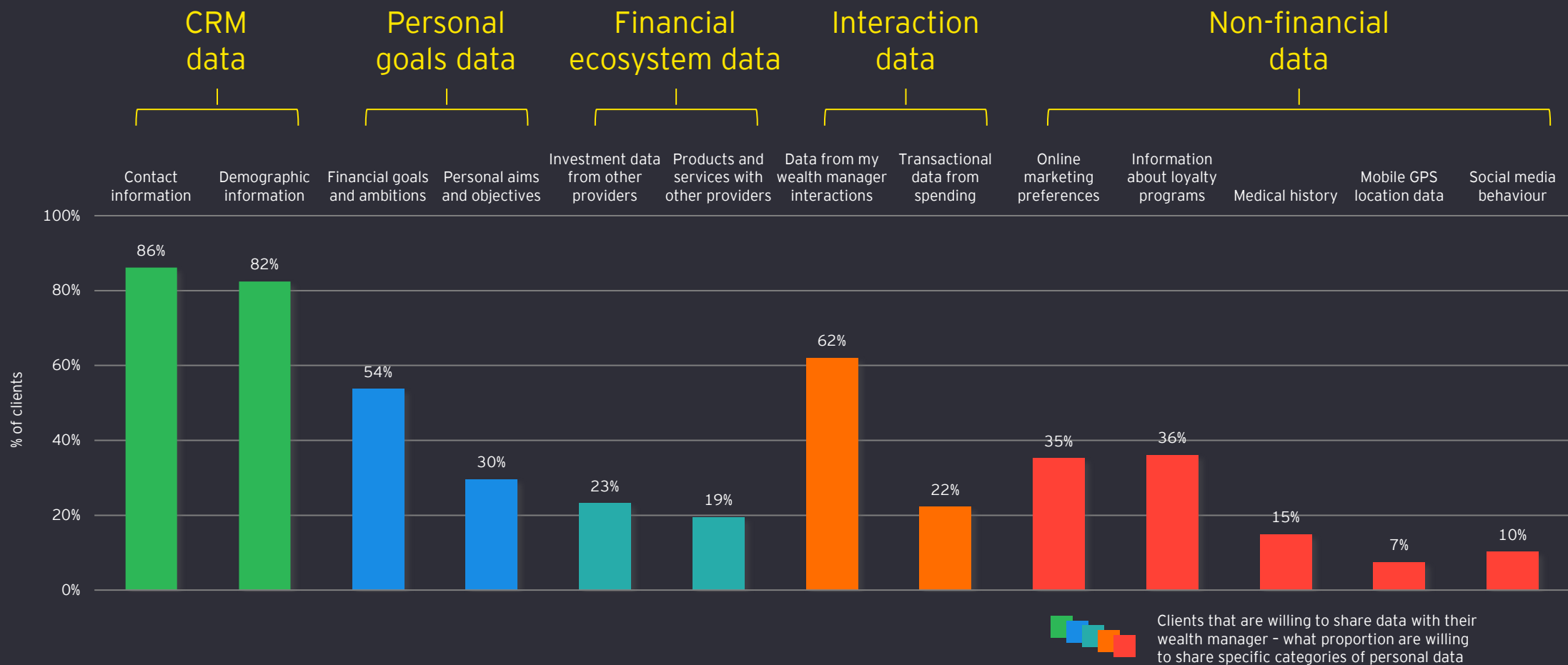
Apprehension to sharing data with non-financial service organisations.

Note: the question was asked on a scale of very willing to not at all willing - to share data; data has been grouped by those willing

Data clients are comfortable sharing

Many clients are ready to go on a data-driven journey with providers. But converting a willingness to share data into active disclosure will depend on maintaining clients' current high levels of trust.

LATAM clients



3

Purpose

Client beliefs are changing fast.
Can firms adapt?

Understanding client's sustainability goals

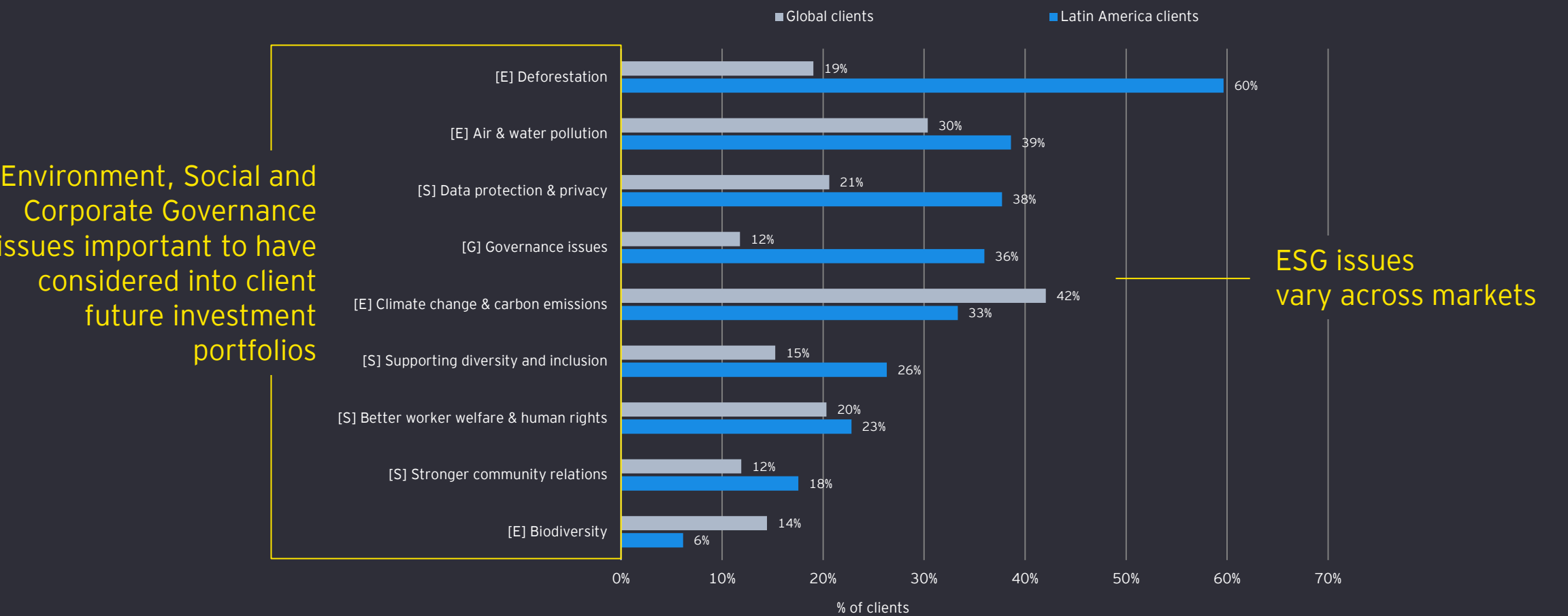
91% of clients have goals related to sustainability in their lives. Three quarters of these clients believe their wealth manager understands these goals, with some still feeling that more can be done to fully understand.



Note: the question was asked on a scale of fully understands to does not understand at all; data has been grouped

Increased level of ESG interest

Awareness of specific ESG themes has jumped over the past year - clients are increasingly interested in environmental issues - especially deforestation, pollution and data protection.

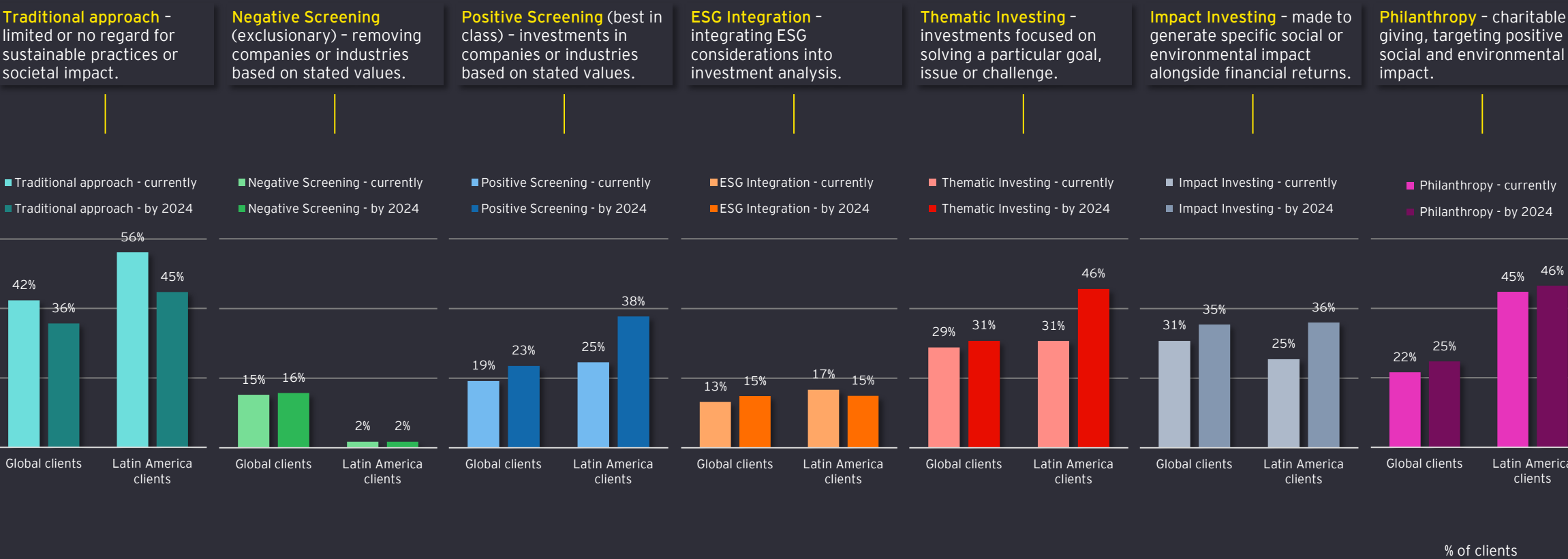


Note: [E] - Environmental issues; [S] - Social issues; [G] - Governance issues

ESG investment strategies

Clients believe it's not only important to incorporate ESG parameters in their portfolios but also to significantly change the investing strategy they use over the next three years.

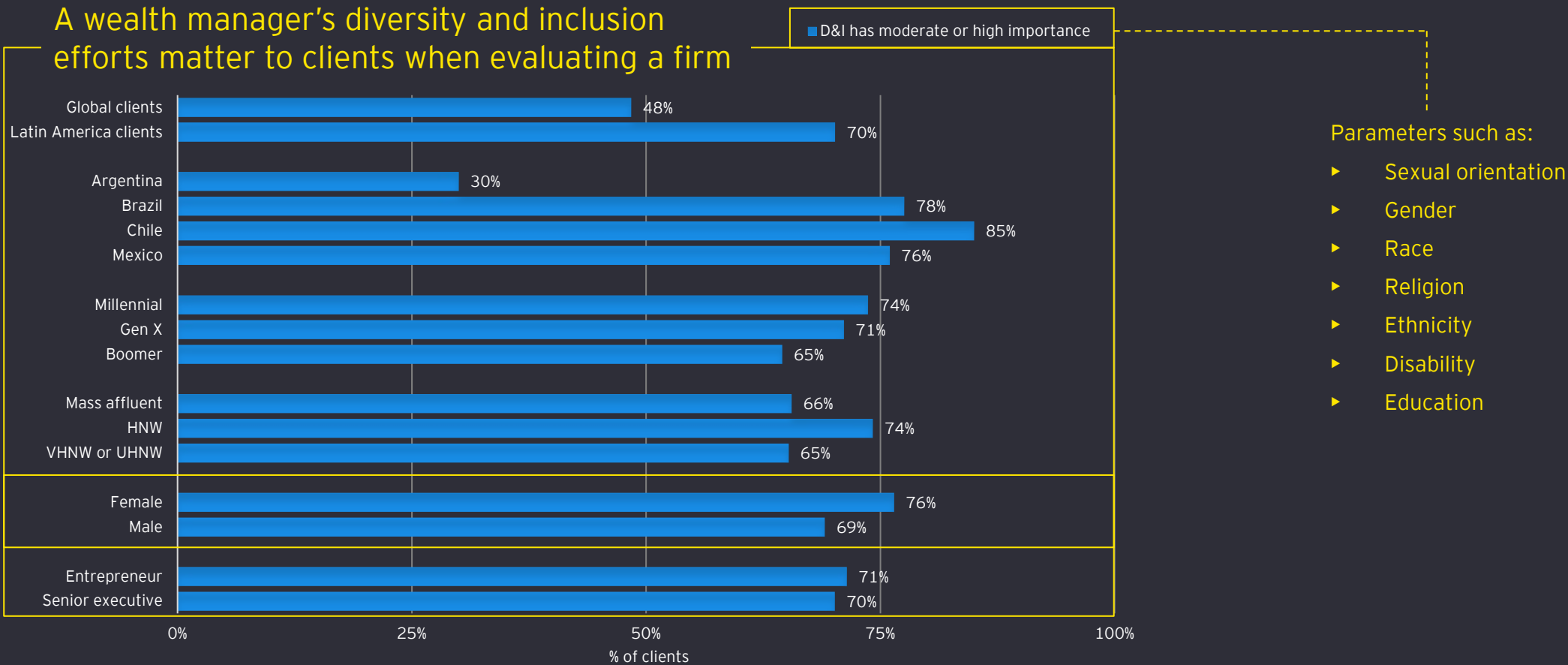
Investment approach



Note: options were asked across multiple questions. Data does not include clients that selected "I don't know" or "none of the above"

Importance of D&I Efforts

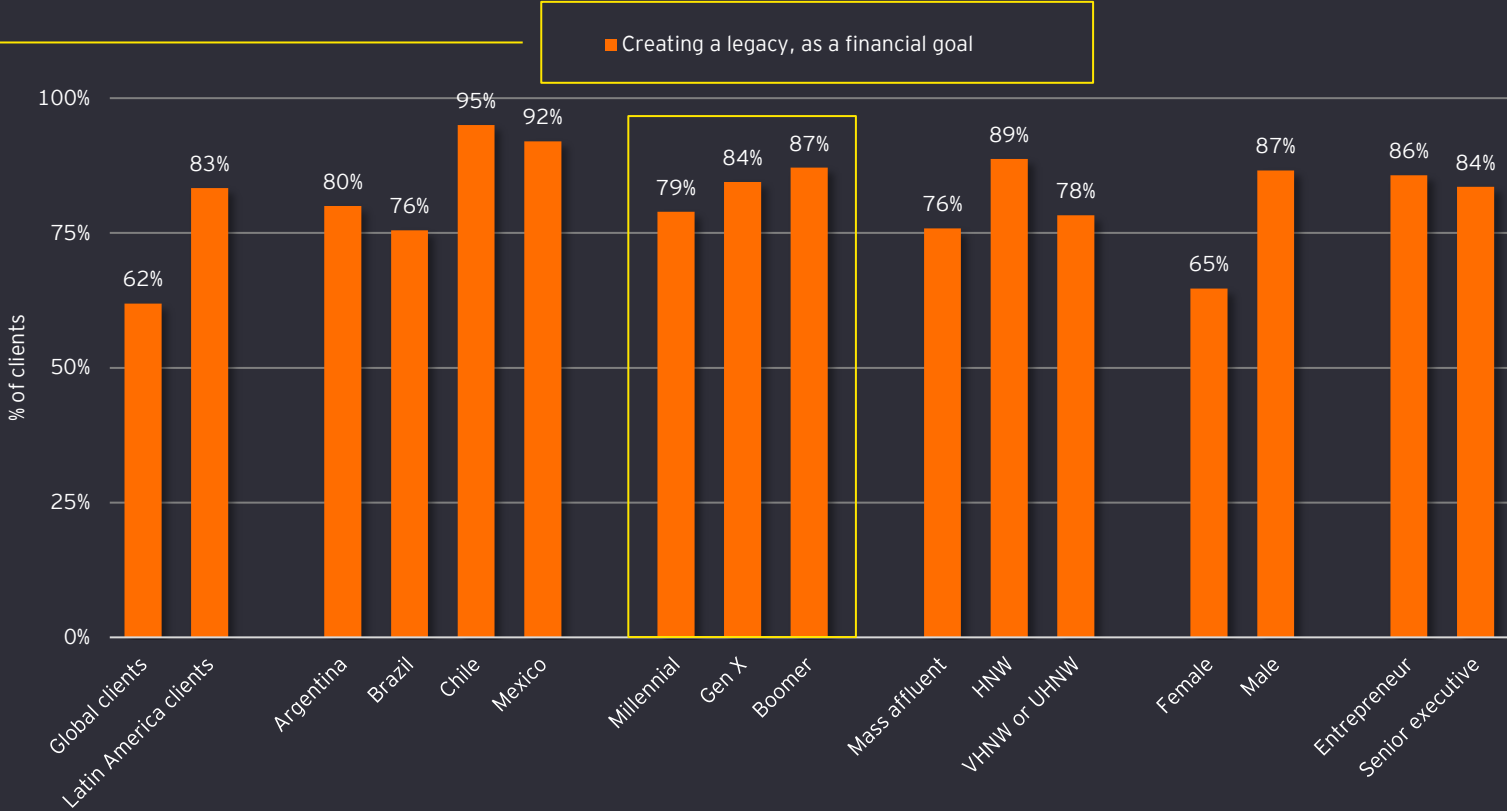
Clients value wealth managers that see the importance of implementing D&I in their firm’s culture. Firms that enhance understanding can strengthen engagement with those groups.



Building a personal legacy

Clients of all ages and levels of wealth want to look beyond purely financial outcomes to build purposeful investment portfolios and relationships

Wealth transition to children/family/charity	✓ .
Protect wealth (from long term effects)	✓ .
Ensure adequate income / security	■ .
Diversify wealth across assets	■ .
Save to meet goals	■ .
Reduce taxes incl. inheritance taxes	■ .
Manage budget / minimise debt	■ .



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

About EY Wealth & Asset Management

In our wealth and asset management work today, not everything is innovation; a lot of it is evolution. And it's important to know the difference. FinTech disruptors continue to shift the rules, newer investors aren't flocking to older channels and cost pressure is relentless. From data and AI, to tech platforms and partners, the questions have never been bigger, and the stakes have never been higher. We help clients re-think everything from pricing and operating models to coopetition and convergence.

We bring critical questions into focus, which lead to bolder strategies, simplified operations and sustainable growth. Our sharp understanding of the state of play allows us to shift discussion from reacting to change, to helping shape it. Ultimately, we work with clients not just to stay competitive, but to change investing for the better.

© 2021 EYGM Limited.
All Rights Reserved.

EYG no. <Insert SCORE No. here>

BMC Agency
GA 1011311

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com

