Industry *Insights*

Fall 2021

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INDUSTRY INSIGHTS
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Inside this Issue

Do you foster belonging at your workplace?

Now is the time to build a diversity, equity and inclusion strategy

We all want to feel as if we belong, especially at work. To foster belonging, we need to address diversity, equity and inclusion. Business owners and leaders at all sizes of companies can benefit from building a culture of belonging.

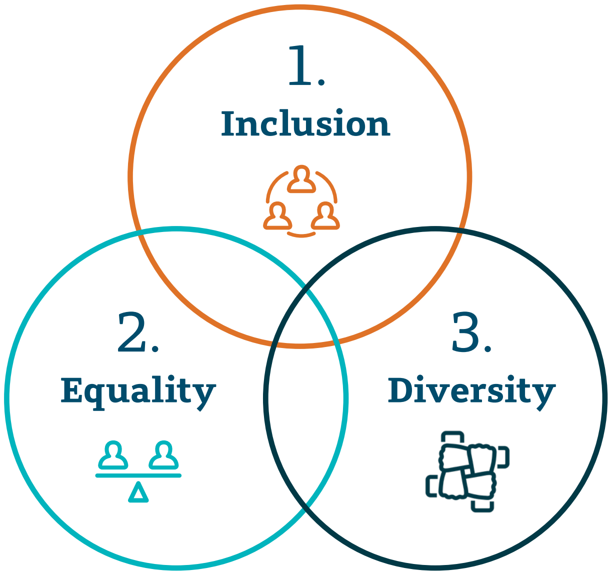
There are many steps you, and other leaders around you, can take to help foster belonging:

1. Spotlight role models, diversify your leadership and talk about personal diversity.

2. Be inclusive and transparent. Put diversity at the forefront of your hiring and be open to listening to all team members.

3. Praise employees. Let them know you value their work and how they can improve moving forward.

Source: Harvard Business Review



TAKEAWAY

Work with your partners or leadership team to create a strategy to build a fairer and more equitable workplace. Help your employees foster a sense of citizenship and build a culture of belonging.

How will rising housing prices affect your planning strategies?

Soaring prices have some advisors adjusting their approach

Soaring Canadian real estate prices are presenting investment professionals with new challenges. New strategies are emerging for Clients looking to buy into, or sell out of, the market.

Part of the fallout of high home prices are that some Canadians may never purchase a home. Those who do may end up too cash poor to save for retirement. Some professionals think this may lead people to robo-advice or low-fee funds. Others are looking at the investment potential of those who decide not to enter the real estate market.

Younger Clients are also looking to parents for help. But with down payments being so high, parents who help their children buy a home need to be aware of the impact on their retirement projections. They'll also have to adjust accordingly.

Even those looking to downsize may not reap the benefits of a hot housing market. Condominium prices are also rising and less square footage doesn't always translate into a comparable reduction of price.

Source: [Advisor's Edge]

TAKEAWAY

With the rising housing prices across Canada, it's important to adjust your strategies for both younger and older Clients.

Securing a Client's digital assets

The implications of living in a digital age

Financial accounts, reward points, emails and social posts – these are just a few ways we create a digital footprint. But do people secure their digital assets the same way they secure their physical ones?

You can help Clients secure their digital assets during estate planning. Here are a few suggestions to start the conversation:

1. Recommend that Clients make an inventory of all their digital properties and keep it in a secure place where their executor will be able to find it.
2. Highlight that the most important access information is for a person's email account. Make sure Clients write this down and keep it somewhere safe, or share their access information with someone they trust.
3. Suggest Clients see if their digital assets have an option to select what happens when they die. This feature is available with companies such as Facebook Inc. and Apple Inc. but it isn't widely known.
4. Recommend that Clients "downsize" properties throughout their lives by closing or deleting accounts they no longer use.
5. Encourage Clients to provide clear instructions to their executor. They can also give instructions to the online organization to make the process smoother after death.

What happens if a Client dies and has not properly planned for closing their digital assets? An executor may need to speak with family members to access devices to better understand the digital properties owned by the Client.

Source: Investment Executive

TAKEAWAY

Build the suggestions above into your planning process to ensure Clients' digital assets are protected at death.

How to boost the value of your advice in a growing market

Key elements to help navigate sustainable investing

Sustainable investment products could be a strong growth market for your business. Recently, there's been a 42% increase in these products. This increase is propelled by individuals, especially among female and younger investors.

When considering sustainable investment products, advisors should use a systems level approach. This requires you to look beyond the financial performance of a product and consider its economic, social and environmental impact. Having this complete picture of a product helps you create a strategic process. You can narrow down goals, find a focus, divide assets, apply investment tools and check results. By having the full picture when venturing into sustainable investing, you add value to your advice. Plus, you help Clients see the influence they can have as an investor.

Add value to your advice with an enhanced focus on sustainable investing. You'll be able to help Clients consider suitable products that help the world and meet their investment goals by showing them how to contribute and make an impact as a sustainable investor.

Source: [WealthManagement.com]

TAKEAWAY

Successful advisors are showing the value of their advice by using a systems level approach when it comes to sustainable investing.

Keeping Clients calm and on track

How to help Clients benefit in an inflationary environment

Currently, inflation is high at 3.6%. Clients may worry about their purchasing options, especially those who are retired and near retirement. As an advisor, you should review Clients' portfolios and suggest beneficial changes based on their needs. This can help them feel more comfortable during an inflationary period.

Here are a few ideas to consider when creating or reviewing a portfolio in an inflationary setting:

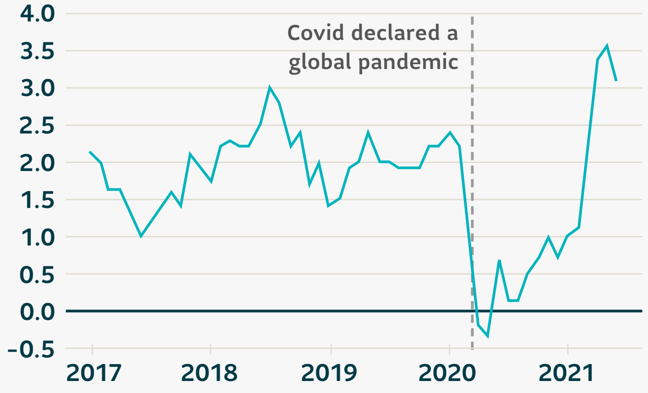
1. Increase Client's exposure to sectors that rise during these environments, like the financial industry.
2. Avoid making extensive portfolio changes in response to spikes in the inflation rate.
3. Remind Clients that portfolios account for a 2% annual rate of inflation.
4. Retired Clients and those close to retirement may want to begin making more income through dividends and REITs. If a Client has longer until retirement, consider shifting from growth stocks to value stocks.

Many Clients will be patient in an inflationary environment because they know it won't last. By checking in with Clients, you stand out and help create Clients for life.

Source: [Advisor's Edge]

Inflation in Canada has soared

Twelve-month change in Consumer Price Index since Jan 2017



TAKEAWAY

Inflationary environments can be worrisome for Clients. Differentiate yourself by checking in with them and working together to reposition their portfolios strategically.

Client service versus Client trust

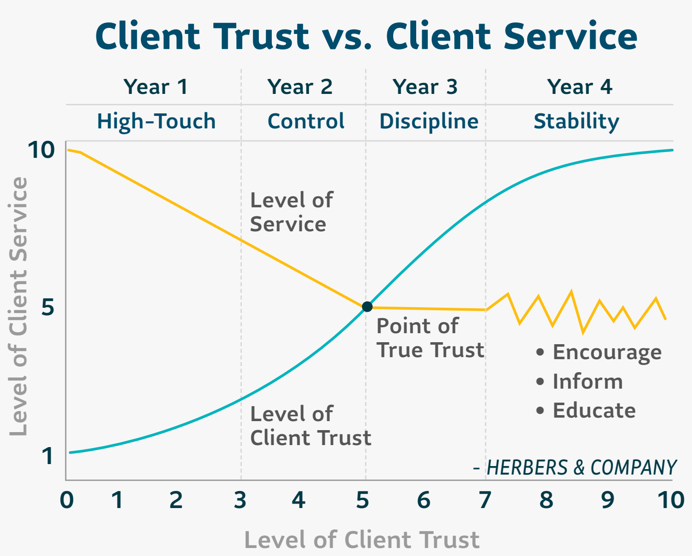
Create a Client service model to build a relationship and deliver value

Client service and Client trust are a key focus in the financial services industry. How do you balance the two to build and maintain strong Client relationships? The following Client service model can help.

- **Year one –** focus on maximum high-touch attention. The first year requires the highest level of service from creating a plan to building trust.
- **Year two –** transition from maximum to maintenance level of service. The Client should feel ownership over the plan and communicate when they need help.
- **Year three –** settle into a rhythm. Your relationship should have predictable touchpoints like annual meetings. Most importantly, the Client should feel confident in your ability to help them create a positive financial future.
- **Year four and beyond –** the relationship is stable and on track. Communication is consistent and time sensitive requests receive quick answers. This stage focuses on maintaining the plan.

You can benefit from rethinking the relationship between Client service and trust. In Client relationships, the goal is to earn and maintain trust. Service levels must be high in the first year, moderate in the second year and consistent going forward. Once you earn a Client's trust, maintain it going forward by being available when Clients need you the most.

Source: [WealthManagement.com]



TAKEAWAY

Moving Clients from high-touch to stable service allows you to focus on other on-demand requests. This Client experience model contributes to higher Client retention and stronger new Client growth.

Focusing on cybersecurity as a differentiator

Do what Clients hire advisors to do: help protect their assets

Advisors are trusted to protect Client and firm data. Data breaches can result in fines and potential money losses, both for Clients and advisors. Data protection and cybersecurity became even more important while working from home during the COVID-19 pandemic. The big question – how do you provide the same level of security for Client data while working from home?

Today, data is spread out just as advisors and employees are. When the workforce is spread out, the attack surface grows. Policies and procedures should have regular reviews to confirm they are up to date with current standards, applicable privacy laws and best practices.

Begin the policy and procedure review process with an internal risk assessment. Start with a detailed spreadsheet of all the places you store Client data. These could include computer servers, cloud providers, third-party vendors, email inboxes and physical paper locations. The next question to ask is: are those locations secured? Don't forget to check third-party data – it should be protected using encryption, strong passwords and multi-factor authentication at minimum.

Once steps to secure data are complete, you can use this review process as a tool to attract and retain more Clients. With the increase in cyberattacks, Clients will begin to view cybersecurity as a priority when choosing an advisor to work with.

Source: [WealthManagement.com]

TAKEAWAY

A strong cybersecurity strategy won't only protect Clients and your practice, it will help you stand out from the competition.

Using philanthropy as an advisory niche

Helping Clients make an impact with charitable giving

Philanthropic advisors connect donors with charities and non-profit organizations. Advisors can make the process more personal by doing their due diligence when helping a Client select a charity. This can be a differentiator. Not all philanthropic organizations are equal and you can help Clients understand where their money is going.

Even though these are charitable donations, there is still a risk tolerance. Some causes are low risk because donors know where the money is going and the impact. For example, it's clear what the money is purchasing when donating to a malaria nets organization. However, some charitable causes can take years to see change, and that can require Clients to be more patient.

Charitable giving often relates to tax management as part of a planning process. While reducing the tax bill may be important for Clients, the primary driver is the impact of their donations. Advisors who are passionate about their philanthropic niche can attract like-minded Clients. With the rise of social justice, Clients are embracing the philanthropic mindset.

Source: Investment News

TAKEAWAY

Proper planning helps Clients to determine how much they can give, when and how. Uncovering a Client's passion could help steer their investments into the impact they want to make.

CFRs: Adapt and thrive or turn away and dive

Renewed focus on customized Client solutions

The Canadian Securities Administrators (CSA) – the umbrella organization of Canada's provincial and territorial securities regulators – released their Client Focused Reforms (CFR) with the intention of fostering competition and promoting transparency. They're being phased in over the next few years, though some have already gone into effect.

The focus of the rules is simple:

- Know your Clients well
- Know your products well
- Ensure you promote products that are suitable for Clients and in their best interest

Unfortunately, some companies may resist implementing the CFRs by shedding non-proprietary, lower-fee options from their product shelves to retain profit margins. This may reduce their regulatory burden but puts them at risk of losing customers. It's yet to be seen how the CSA will respond as many industry participants and advocacy groups have voiced their concerns about the firms that have taken this approach.

Source: Investment Executive

TAKEAWAY

In a time when competition is becoming increasingly fierce from low-cost Fintech alternatives, the renewed focus on customized Client solutions brought by the CFRs offers a win-win opportunity for you and Clients.

It's a new world – with its own pros & cons

Reflections on post-pandemic business changes

The pandemic caused many advisors to rethink how they run their practices and manage Client relationships. A certified financial planner who works predominantly with seniors aged 70+ expressed mixed results from having to pivot to video meetings. It saves time but trying to explain financial concepts over video format isn't always efficient. When the internet freezes, it cuts out on important words and advisors often find their Clients with confused blank stares on their faces.

Advisors have experienced more no-shows at meetings since prospects are more non-committal to Zoom meetings. This makes it harder to land new Clients. Much of an advisor's job is connecting with Clients and prospects to really get to know them at a personal level. This is a lot harder to accomplish virtually.

The pivot to a virtual world has been beneficial for upgrading business procedures. Advisors are appreciative of approved electronic signature tools that speed up the back-and-forth. An advisor with middle-aged Clients has noticed a change in the attitudes of her clientele regarding technology. They are getting comfortable and adapting well to video conferencing.

Source: [Advocis]

TAKEAWAY

In a time when it has been imperative to evolve, advisors are finding what works and what doesn't with their clientele. Many are looking forward to resuming in-person visits with Clients, catching up and networking.

Make change that counts

National financial literacy strategy 2021-2026

The global pandemic has magnified economic challenges and disparities for many people. Financial resilience is the ability to adapt or persevere through both predictable and unpredictable financial choices, difficulties and shocks. The ability to build this resilience doesn't lie in the hands of customers alone, but is a function of both individual actions and systemic facilitation.

The Financial Consumer Agency of Canada (FCAC) has created a 5-year plan for a more accessible, inclusive and effective financial literacy ecosystem.

The overarching two themes for this plan, and its six priority areas of action, are as follows:

Theme 1: Reduce Barriers – Educate people about the benefit of financial literacy so they aren't limited when accessing, understanding and using financial products and services.	**Priority 1 –** Communicate in ways people understand **Priority 2 –** Build and provide for diverse needs **Priority 3 –** Support increased digital access and digital literacy
Theme 2: Catalyze Actions – Help build financial resilience by creating new and more opportunities for Canadians, by addressing biases and by assisting people with financial challenges.	**Priority 4 –** Enhance access to trustworthy and affordable financial help **Priority 5 –** Use behavioral design to simplify financial decisions **Priority 6 –** Strengthen consumer protection measures

Source: Advisor's Edge

TAKEAWAY

Advisors are key ecosystem stakeholders in supporting financial literacy. They can pilot the use of alternate forms of communications, such as videos and infographics, to help comprehension of financial information. Sharing the results of the literacy efforts is important so the system can track and learn from its collective successes. Advisors are encouraged to work with experts to create a plain language guide and adopt best practices and standards for understandable communication.