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Cisco Wealth Management Study Unveils $18.6 Billion Revenue Opportunity for Financial Services Firms

Technology-Enabled Interactions Key to Attracting and Retaining Critical Customer Segment of Wealthy Under-50 Investors

SAN JOSE, Calif. – Jan. 11, 2011 – Wealthy under-50 investors have emerged as a vital market opportunity for financial services firms, which are struggling to find growth following the worst financial crisis since the Great Depression. Cisco® Internet Business Solutions Group (IBSG), the company's global consultancy, surveyed more than 1,000 wealthy U.S investors – those with at least $500,000 in investable assets – and found that North American financial services institutions have an $18.6 billion revenue opportunity by adapting a competitive approach to wealthy under-50s. With 63 percent of wealthy under-50s potentially willing to move some of their assets to a firm that provides enhanced capabilities, such as high-definition video meetings in the office, more than $2.2 trillion in assets could be "in play" in North America alone. Additional technology-enabled capabilities include home-based video (such as web-cam and high-definition video conferencing), tablet PC, and video messaging.

Results of the study and key strategies for attracting and retaining under-50 wealthy investors will be presented at a live Cisco webcast on January 18th from 1 p.m. – 2 p.m. ET. Click here to register.

Wealthy Investors: Bloodied but Unbowed
The Cisco IBSG study assessed the investment attitudes of wealthy investors; their relationships with financial advisers; and how they prefer to interact with financial advisers and financial services firms.

With the financial crisis still posing many challenges, Cisco IBSG found that wealthy investors as a whole (all age segments) are concerned about their financial future, and are more skeptical to the efficiency of the financial markets:

- 37 percent feel that the financial markets are not a "level playing field" where individual investors have a fair chance of succeeding.
- 50 percent of wealthy investors who have not yet retired expect that they will be forced to delay their retirement due to the poor performance of their investments, with 18 percent expecting to delay by five years or more.
- Despite concerns about the performance of their portfolios, most wealthy investors have stayed with their financial advisers through the financial crisis and remain satisfied; while 15 percent switched advisers in the past two years, 26 percent have more confidence in their financial advisor now than they did before the crisis.
- Wealthy investors spread their assets across multiple firms and financial advisers: 80 percent

have their assets at more than one firm, with over a quarter spreading investments to four firms or more. Among wealthy investors with a financial advisor, 28 percent have more than one financial advisor.

- 30 percent of wealthy investors have no financial advisor at all. They have doubts about the fundamental value proposition of an advisor: 49 percent said the fees charged by financial advisers are too high and 40 percent said they believe they can get better results on their own.

Wealthy Under-50s

A crucial customer segment emerged from Cisco IBSG's research: *wealthy investors under 50 years of age*. These investors constitute a significant opportunity—and a potential challenge—to financial services firms. Wealthy under-50s investors are 29% of total wealthy investors in the United States, and their importance to financial services firms will continue to grow as wealth is transferred from older generations. Wealthy under-50s are also more likely to switch financial advisers than older investors, as they search for more tailored advice, greater access to expertise, and a wider range of options for interactions. Most important, they are willing to move to a firm that can provide the services they need. Key findings include:

- 67 percent of wealthy Under-50s expect to receive a substantial gift or inheritance in the next 10 years.
- 27 percent have switched advisers in the past two years (vs. 10 percent for older clients).
- 32 percent are likely to switch financial advisers in the next year.
- 38 percent of wealthy Under-50s with a financial advisor interact daily or weekly to discuss investments, compared with 7 percent of older clients.
- 39 percent of wealthy Under-50s spend at least eight hours per month managing their investments.

Technology Innovation Key to Attracting and Retaining Investable Assets for Wealthy Under-50 Investors

Wealthy under-50s frequently use technology and therefore demand faster and more convenient ways of interacting – beyond in-person meetings, phone and e-mail. Wealthy under-50s are challenging wealth management firms to deliver interactions via the most effective and convenient method. They want new services that meet their needs, which include technological advancements for meeting with financial advisers, access to specific expertise, and investment research. Highlights of technology findings for wealthy under-50s include the following:

- 63 percent are interested in having access to professionals via two-way high-definition video rooms.
- 63 percent would consider moving assets to another firm to access two-way high-definition video to meet with multiple experts. The willingness of wealthy under-50s to move assets to access technology-enabled capabilities translates into a $18.6 billion revenue opportunity for North American financial services firms. When older investors are included, the figure jumps to $28.6 billion.
- 52 percent would like to receive video messages relevant to their investments on their PC or mobile device.
- 55 percent are interested in using a tablet PC to interact with their financial advisor or firm.
- 66 percent are interested in joining social investor communities.
- 55 percent have used social networks for investment advice.

Conclusions
The combination of the current attitudes and behaviors of the wealthy under-50s, the anticipated wealth transfer to this group, and the fragmented assets of today's investor present a significant opportunity for financial institutions to develop services and opportunities to capture additional revenue. There is $18.6 billion of revenues at stake for banks in North America alone. Using technology, like high definition video and collaboration tools, as a critical enabler for the delivery of these services, financial firms can sway investors to a path of greater loyalty and capture a greater portion of investor assets.

Study Methodology
The Cisco IBSG Financial Services Practice works with business and technology executives at global financial services companies to assist them in finding new strategies in areas of top priority for their business and to identify the linkage to how technology can be the enabler of tangible business impact. To develop fact-based points of view, Cisco IBSG Financial Services regularly conducts surveys on top-priority business topics. Recent reports include a perspective on the implications of Gen Y on the financial services industry and a report on the key retail banking trends for 2011.

The Cisco IBSG Research & Economics (R&E) Practice orchestrated the wealth management study in conjunction with the Cisco IBSG Financial Services Practice. The Cisco IBSG R&E Practice uniquely combines ongoing original research with in-depth financial analysis to produce high-impact insights and thought leadership for the world's largest public and private organizations. With resources on four continents, the R&E Practice each year surveys tens of thousands of consumers and businesses around the world to explore cutting-edge trends and emerging opportunities, and develops more than 100 executive-ready financial models on the business benefits of technology innovation. The team's custom research and financial analysis enable Cisco IBSG's vertical consultants to deliver transformative business solutions across a broad range of industries.

For more information about the Cisco IBSG wealth management survey, please visit www.cisco.com/go/ibsg/financialservices.

Supporting Quotes:
Jörgen Ericsson, vice president and global lead, Financial Services Practice, Cisco Internet Business Solutions Group, Financial Services Practice: "The facts we found were undisputable. The wealthy under-50 investor constitutes a significant untapped potential for wealth management companies, especially in an environment where organic growth opportunities are rare. Success with the wealthy under-50 segment will require a new strategy involving tighter, more valuable interaction. The battle for the wealthy investor has only begun."

Robert Waitman, director, Cisco Internet Business Solutions Group, Financial Services Practice: "Wealthy under-50 investors expect that the technologies they are already using in their everyday lives will be available to help them better manage their financial lives."

Peter Delano, research operations director, Tower Group: "The Cisco IBSG study highlights very relevant issues in Wealth Management. Firms are considering these issues right now, and success with the wealthy under-50 segment means they will need to think more creatively and differently than they have before."

Caroline Dabu, vice president, BMO Financial Group:

“Cisco’s findings are consistent with where we see growth opportunities in our business, and it highlights the importance of new technology-enabled capabilities in building a great client experience.”

Supporting Resources:

- Winning the Battle for the Wealthy Investor POV
- Wealth Management Full Study Results
- Webcast Registration: Attracting and Retaining the Under-50 Client
- Jörgen Ericsson VoD
- Cisco IBSG Financial Services Website
- Cisco IBSG Financial Services Overview
- Cisco IBSG Research and Economics Website
- Cisco Virtual Expert
- Jörgen Ericsson Bio
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