The 5 Biggest Lies in Wealth Management

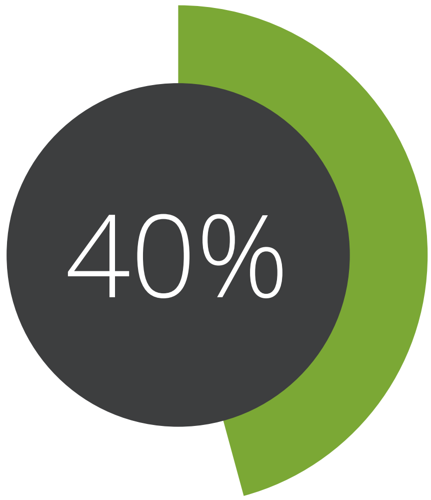
It used to be inconceivable to open a new account online or build client relationships remotely. Today, these practices are common for wealth management advisors. **It goes to show that outdated thinking and misinformation can be dangerous**. It can even hold wealth management firms back from reaching their full potential.

The financial services industry is growing rapidly. It changes continuously. But not everything people in the industry say is true. Separating myth from reality can be challenging, but it's crucial for staying current and leading the future of the industry.

Let’s explore five common myths — and finish with practical tips you can use right away.

Myth #1

Your clients ***must*** buy Bitcoin and crypto.



40% of financial advisors have recommended crypto to at least **half of their clients**

Advisors are increasingly recommending cryptocurrency more and more in recent years. In fact, one survey found that **40% of financial advisors** have recommended crypto to at least half of their clients as of June 2024. That's up from 32% since March 2024. On average, advisors recommend that their clients invest 2% of their assets in crypto.

Crypto investments are **gaining popularity**. They were initially appealing to young investors but lately, they've caught the attention of high-net-worth investors, too. That doesn't make it an automatic must-have investment for all clients. Crypto isn't a one-size-fits-all solution or a guaranteed high returner.

That doesn't mean crypto shouldn't be considered — **it simply depends on what the client is trying to achieve and why it matters to them.** Just keep in mind that due to its volatility, crypto typically falls into the high-risk category and should be evaluated accordingly. One of the key factors in considering product recommendations (of all kinds) is a **client's risk tolerance**.

Crypto can lead to higher returns, yes. But it is extremely volatile, which makes it risky. Bitcoin and other similar investments have seen massive surges and rapid drops in value, which is unappealing for some investors. Cryptocurrencies also aren't subject to government regulation, which means the prices are often unpredictable. The funds themselves are often targeted for **scams and hacks**, which can put some clients at risk if they aren't aware of how to respond to fraudulent requests.

Myth #2

Asset size is THE priority metric.

A traditional way of thinking might have you overly focused on asset size. But more assets don't automatically mean stronger client relationships or more growth. Firms and advisors should focus on delivering personalized service instead.

Some advisors only target high-net-worth clients. That's fine. Just know that securing large assets under management (AUM) fees isn't the only way to grow your firm. For instance, a client may not have significant assets, but they can recommend your services to family and friends. Track those referrals in your CRM to understand the value they're bringing to your firm's bottom line. You might find that a client without a ton of assets is contributing significantly to your growth.

Instead of responding to the size of a client's bank account, focus on delivering personalized, high-quality service to every client. Growth and revenue will follow. After all, it's the age of personalization. From recommendations about which shows you'll like to what clothes to buy, today's consumers are expecting personalized service. That includes investments. Perhaps that's why a marked **86% of advisors** agree that providing a personalized financial planning experience is crucial.

Personalization means tailoring a client's experience and product recommendations to match their goals and needs, regardless of the size of their assets. Taking time to get to know a client and creating personalized strategies in response can boost client satisfaction by **30%** and increase revenue by up to 15%.

Myth #3

Every client needs a complex plan.

Wealth management firms may be tempted to create a complex plan for every client, regardless of their financial situation or life goals. It's not necessary. In fact, a well-structured, simplified plan can often be more accessible and serve clients better.

Most clients are unlikely to understand **or even read** a complex financial plan. And because markets and cash flows change frequently, it's important that plans stay nimble and adaptable. Overwhelmingly, what clients want is an advisor who **clearly communicates financial concepts** — something that usually doesn't occur in a complex, in-depth plan.

Instead of creating a big, multi-page report for every client, focus on short- and long-term planning. Create simple reports to meet clients' unique needs and timeline:

> **Short-term financial planning** typically covers the next one to two years. It's best for meeting immediate needs, like covering unexpected medical expenses, handling a job transition, paying off high-interest debt, or saving for a planned expense like a vacation or home appliance. These plans tend to be more detailed because the goals and objectives are sooner.

> **Medium-term financial planning** is around five years out. It's useful for goals that require more time to achieve, such as saving for a down payment on a home, renovating, starting a business, or paying off a car loan. These plans balance saving and investing while allowing for flexibility as priorities change.

> **Long-term financial planning** can cover a decade or more. These goals are often much further off, such as saving for retirement or creating a college fund for a young child. Instead of focusing on details, these plans aim for a positive and sustainable growth trajectory.

When you focus on lifecycle financial planning and aligning strategies with clients' changing priorities over time, you can create simpler, more relevant financial plans that connect more with clients.

Myth #4

Automating everything removes the personal touch.

Many firms shy away from automation of any kind because they believe it's a slippery slope that takes away from the personal client experience. But it's important to remember: **Not all automation is created equal**.

Automating every aspect of the client experience can hurt the human connection, absolutely. But using the right automation can actually improve client relationships and advisor efficiency greatly.

By automating mundane and repetitive tasks, advisors get more time to spend with clients. Done right, automation can provide the best of both worlds: the attention and personalization clients crave, and the efficiency advisors need to deliver deeper human connection and better service.

Today, the average advisor spends more than **22 hours a week** on administrative and back office tasks. That's valuable time not spent with clients or building relationships. By automating time-consuming tasks, advisors have more time to spend with clients. They can deliver a better personal touch.

In addition to the time boost, automation also improves data accuracy, speeds up processes, and boosts compliance — all of which contribute to a better client experience.

Not sure the right ways to automate? Look for the time-sucking, repetitive tasks that can lead to errors.

Scheduling meetings and sending meeting reminders	Creating and scheduling client communications for important milestones	Managing and deploying marketing materials	Prospecting new clients and developing leads
Sending **automated risk tolerance questionnaires** and other client-facing workflows for easy compliance and client reporting	Verifying that client information complies with SEC and FINRA regulations	**Proactive monitoring** for potential risks, preventing breaches and noncompliance	

Myth #5

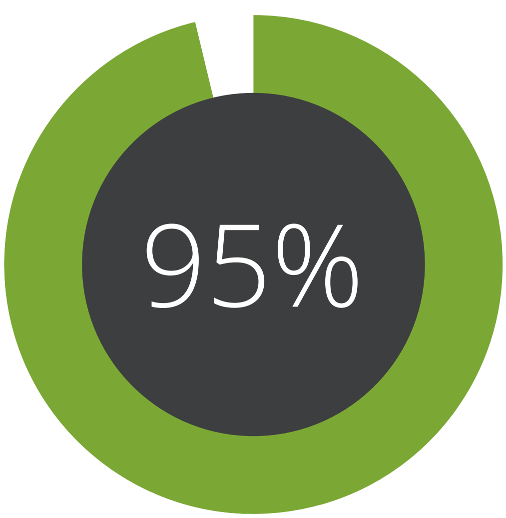
ESG investing is a must for all clients.

While investment in environmental, social, and governance (ESG) is often discussed in the media, it’s not something every client should prioritize. High-net-worth clients who are focused on maximizing financial returns may not be as concerned with socially driven investing criteria.

ESG has been gaining steam for years. But the actual impact and effectiveness of the efforts is controversial. Many **economists** believe investing more in ESG firms encourages greenwashing or fuels the idea of making a sustainable difference but doesn’t actually bring results.

It’s also unclear whether ESG investments yield a high return. There are arguments on either side, but some people suggest that clients pay a premium for ESG accounts, which can affect returns and act as a **proxy for quality**. Clients pay more, but that doesn’t necessarily mean it’s a higher-quality investment, just something they can feel good about.

Advisors who push ESG as a blanket solution may overlook their clients' diverse needs and priorities. It’s important to understand each client’s unique financial goals and personal values and not assume that ESG investing fits everyone. Before suggesting ESG investments to all clients, get to know what matters to them, their preferences, and risk tolerance. Some clients (including the **95% of millennials** interested in sustainable investing) may be enthusiastic about ESG investments. Others may have different priorities. The key is understanding the nuance of ESG investing and not automatically recommending it to every client.



While **95% of millenials** are interested in sustainable investing, the key is **understanding its nuances**

Where Did These Myths Come From?

Myths in wealth management aren't new. There have long been misconceptions around financial planning and investing, often because the topic is complex and polarizing.

In many instances, myths originate from traditional (and outdated) thinking. Something may have been true in the past but changed due to market conditions, new technology, or different client preferences. The financial services industry is notorious for **shying away from innovation** and new ideas, often because its own senior leadership fails to embrace them. But sticking to old ideas in an evolving market is a recipe for outdated thinking, misunderstandings, and missed opportunities.

Other myths result from marketing hype or pressure from certain companies or causes. Groups that have money to support marketing efforts can make some issues appear more widespread than they actually are or make advisors feel they need to recommend a certain type of product or follow a certain approach for all of their clients when they don't.

Luckily, as the wealth management industry evolves, advisors are seeing the value of innovation and overcoming outdated thinking. Embracing change and leaning into technology and personalization can help firms understand what their clients want in their financial futures and deliver evidence-backed recommendations that match.

Overcoming Myths

Knowing myths exist is one thing. But overcoming myths in your firm often requires a mindset shift. Here are three key principles to change your thinking:

1. **Embrace new trends.**
   It can feel daunting to adopt new technology, systems, and processes, especially for firms with well-established procedures. But stay stagnant and you risk getting left behind. Embrace a mindset of change and get used to challenging the status quo. Stay current on industry changes. Reach out to other advisors and firms to see what trends they're following.

   A word of caution: Embracing new trends doesn't mean chasing every fleeting one. Instead, keep your clients top of mind. Look for changes that will improve their experience. Aim for more convenient service, increased personalization, and a **seamless all-around experience**. Clients increasingly **want digital services**, so firms and advisors offering those tools stand out. Ask: What systems will improve the client experience? Look for processes that can be digitized. And stay in tune with what clients want.

2. **Adopt smarter technology.**
   For example, use AI, data analytics, and digital platforms to provide personalized investment recommendations, streamline client communication, and access information seamlessly.

   But remember: A digital transformation doesn't happen overnight. Think of your firm's technological evolution as a marathon, not a sprint. You don't need to change everything at once.

   Need a place to start? These five questions can help jumpstart your journey and highlight quick wins and big opportunities:

1	2	3	4	5
What are your roadblocks or frustrations?	**Where is your risk?**	**What are the gaps in your software applications?**	**Are you getting value from your technology?**	**What do successful firms do differently?**

Overcoming Myths (Continued)

3. **Use realistic, data-driven strategies.**
   Instead of relying on old ways of thinking or doing things how they've always been done, research and lean into new data-driven strategies. With decades of data and evidence, advisors can now take a systematic approach to product recommendations. Instead of speculating or relying on past performance, this data makes accurate predictions so advisors can back their recommendations with evidence and not just go off a whim.

   For example, clients increasingly want holistic advice. They don't want to go to separate financial, legal, and tax specialists. Partner with other professionals to see how these areas work together for your clients and create a broader array of client services.

Now that we've debunked the myths around automation, it's time to take action. Start improving your practice with PreciseFP. Here's how:

Save time and focus on relationships. Automate tasks like **reminders**, data collection, and compliance, freeing up more time to build stronger client relationships.

Leverage automation for personalized service. Embracing automation doesn't mean losing the personal touch. With PreciseFP, you can collect client data in small, manageable pieces and customize forms with personal details like their alma mater logo, ensuring a smooth and personalized experience.

Engage leads effortlessly. PreciseFP offers pre-built **lead magnet templates** that make it easy to capture new leads. Place links in strategic spots like your email signature or website contact form, and start attracting the right clients immediately.

Collect data effortlessly. As you **engage with clients**, you can easily request additional information or offer more services. Since forms are pre-filled with the data you've already gathered, you never have to send a blank form to a hot prospect.

Ensure compliance and accuracy, automatically. The **Data Quality Score** helps you stay compliant with FINRA's "Know Your Client" regulations, ensuring your data is always complete and accurate.

Ready to debunk some myths and add instant value to your firm and your clients? **Start your free trial with PreciseFP** today and deliver personalized service, save time, and motivate your team with technology that works.