

# Where Did All the Organic Growth Go?

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The long-awaited, much-discussed generational shift has arrived in the advisory world. And organic growth is one of the first indicators of an industry amid serious change.

The standard operating procedures for finding new clients and serving existing ones are not working like they used to. It's time for a new model. Luckily, a new hybrid model is here — combining human advice and digital automation — showing measurable results. But the firms using this new model may surprise you.

This paper explores the challenge of organic growth for advisory firms and provides three ways that firms can address the issue head on.

Organic growth isn't what it used to be—and it's a real problem for advisory firms.

In 2022, net new assets (NNA) dropped to their lowest rate in a decade — 2.4%, compared to 4.3% in 2021.<sup>1</sup> Although Assets Under Management (AUM) and its associated revenues may still be stable for now, the drop in NNA could signal a change in the industry.

The tried-and-true methods for winning new Baby Boomer clients are not as successful with the Gen-X and Millennial investors who are now inheriting assets and working their peak-earning years.

The time for change has arrived.

## What Are Net New Assets?

Net New Assets are a measurement of growth and acquisition for wealth management firms. Positive NNA is an indicator of growth.

$$\text{NNA} = \text{Inflows} - \text{Outflows}$$

## The Old Organic Growth Is Declining

Thanks to the confluence of a number of factors, the organic growth our industry has previously enjoyed is decelerating. These factors may include:

- 1 As the generations age**, Baby Boomers, the historical drivers of inflows, are entering decumulation mode
- 2 Self-service investing technology**, which aligns with changing consumer preferences, has helped create new models that are experiencing growth now
- 3 High Net Worth (HNW) and Ultra-High Net Worth (UHNW) households** have reached a financial advice saturation point, leading to inter-firm cannibalism, but no significant new AUM across the industry — but other segments have a higher demand for human advice

<sup>1</sup>Tiburon CEO Summit XLV Keynote Presentation. November 7, 2023.

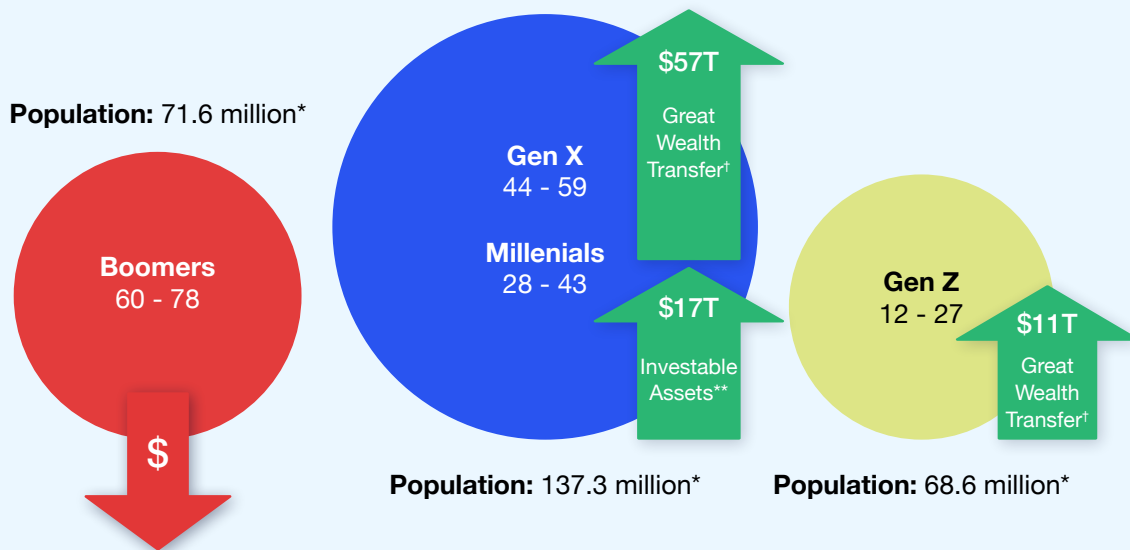
# Generational Investment Power Is Shifting

Today, the long-anticipated Great Wealth Transfer — \$84 trillion in assets set to change hands over the next 20 years<sup>2</sup> — is well underway. And the younger generations, with different attitudes and values, are focused on investing in different ways than their parents or grandparents.

These younger generations are starting to reveal their wealth management preferences, which include:

- 3 out of 4 Millennial and Gen Z investors surveyed believe it's "not possible to achieve above-average returns solely on traditional stocks and bonds,"<sup>3</sup> leading to **interest in alternative investments**
- Gen Zers who are 21 and older and Millennials hold **just a quarter of their portfolio in stocks**, compared with over half (55%) of portfolios of older investors<sup>4</sup>
- 90% of Gen Z and Millennials **give consideration to company sustainability policies** when selecting investments, compared to 44% of investors over 43 years old (largely Gen X and Baby Boomers)<sup>5</sup>

## Snapshot: The New Wealth Concentrations



\*Populations. Fry, Richard. Pew Research Center. *Millennials overtake Baby Boomers as America's largest generation.* April 28, 2020. <https://web.archive.org/web/20200428233813/https://www.pewresearch.org/fact-tank/2020/04/28/millennials-overtake-baby-boomers-as-americas-largest-generation/> and Howarth, Josh. Exploding Topics. *25+ New Generation Z Statistics (2024).* December 4, 2023. <https://explodingtopics.com/blog/gen-z-stats>  
 \*\*Investable Assets. Gen X and Millennials: Tiburon CEO Summit XLV Keynote Presentation." Tiburon. November 7, 2023 and Gen Z: Howarth, Josh. Exploding Topics. *25+ New Generation Z Statistics (2024).* December 4, 2023. <https://explodingtopics.com/blog/gen-z-stats>  
 †Great Wealth Transfer. Cerulli Associates, "The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021."

<sup>2</sup>Becker, Sam. Fast Company. *We're in the midst of the 'great wealth transfer': How some Gen X, millennials, and Gen Z are getting rich.* January 26, 2024. <https://www.fastcompany.com/91016524/great-wealth-transfer-explained-how-some-gen-x-millennials-gen-z-are-getting-rich#:~:text=In%20all%2C%20the%20transfer%20comprises,so%20being%20donated%20to%20charity.>  
<sup>3</sup>Bank of America Private Bank. *2022 Bank of America Private Bank Study of Wealthy Americans.* <https://mlaem.fs.ml.com/content/dam/ust/articles/pdf/2022-BofA-Private-Bank-Study-of-Wealthy-Americans.pdf>  
<sup>4</sup>Ibid  
<sup>5</sup>Ibid

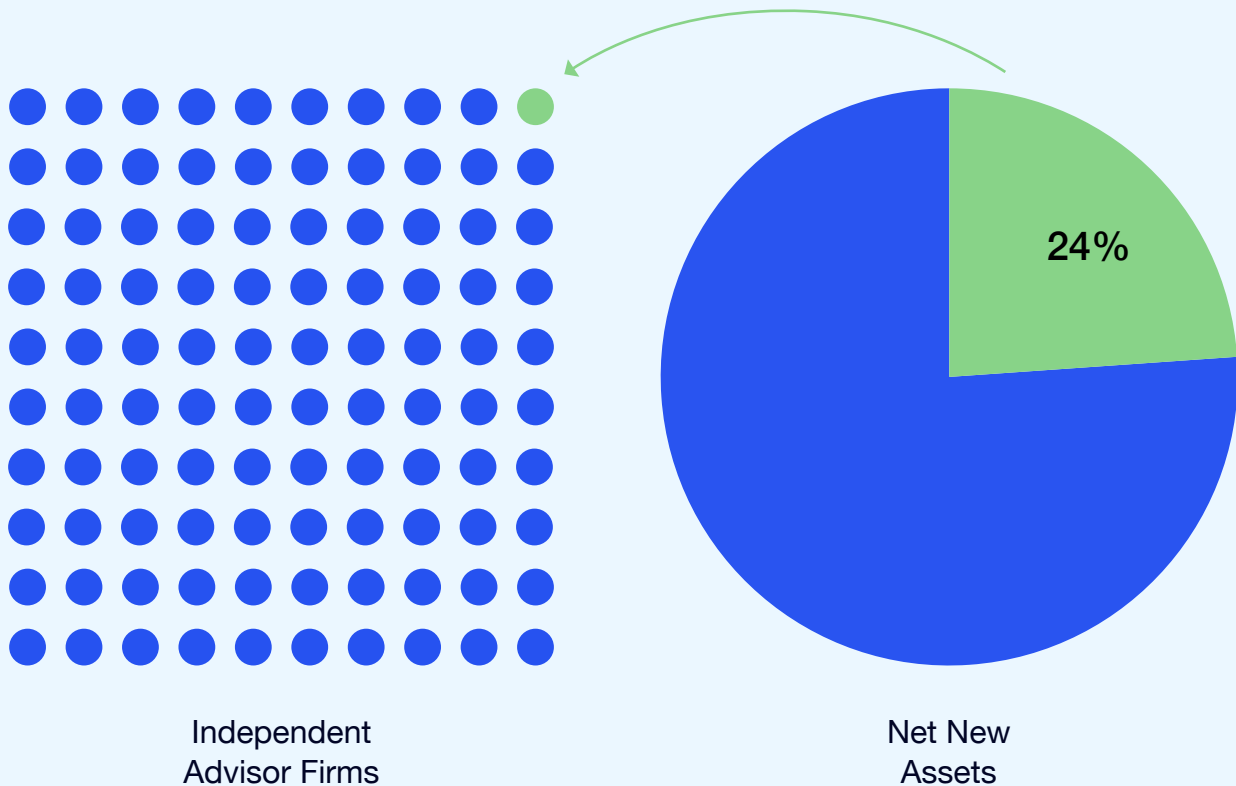
## Robo Investing Inspired Innovation

When robo advising first launched, there was a fear that this technology would end up taking over the industry. That fear, it turns out, was misplaced. Thus far, the pure robo model has not caught on at scale, accounting for a mere 8% of NNA.<sup>6</sup>

But a funny thing happened with robo investing. It has managed to change the advisory world even without single-handedly dominating flows of NNA.

A hybrid model has emerged combining some of the self-service aspects of robo investing with the personalization of human advice. So far, only a tiny fraction — 1% of advisory firms — have adopted this model.<sup>7</sup> But they account for almost a quarter of new asset flows. According to this data, the market is speaking.

### 1% of Firms with Hybrid Models Attract 24% of Net New Assets\*



\*Tiburon CEO Summit XLV Keynote Presentation. November 7, 2023.

<sup>6</sup>Tiburon CEO Summit XLV Keynote Presentation. November 7, 2023.

<sup>7</sup>Ibid

## Your Custodian May Be Using a Hybrid Model to Compete with You

Which firms are using the hybrid digital-plus-human service model? Some of the biggest proponents are the retail arms of major legacy custodians. Their offerings blend automated self-service with personalized human advice to help them scale their reach.

A variety of other firms are using the model as well. We'll explore their use cases in a couple pages.

## Some Audiences Have a High Demand for Advice

In a 2023 Intelliflo survey, around three out of four American adults (74%) said that they would value professional advice about financial topics.<sup>8</sup> That means there's plenty of demand for personal advice for firms that are willing to adapt and evolve.

Why aren't these potential investors already your clients? Intelliflo's research reveals that:

1

Potential investors are not sure where to find the right financial advisor for them

2

They don't think they have enough money to hire a financial advisor<sup>9</sup>

And this enormous group of investing-curious people are not wrong. While great progress has been made to democratize access to the stock market through technology, human advice doesn't scale as easily as an app on a smartphone.

It turns out that technology can help scale human advice — if you're willing to reimagine your business model, expand your total addressable market, and reconsider the custodian that underpins your tech stack.

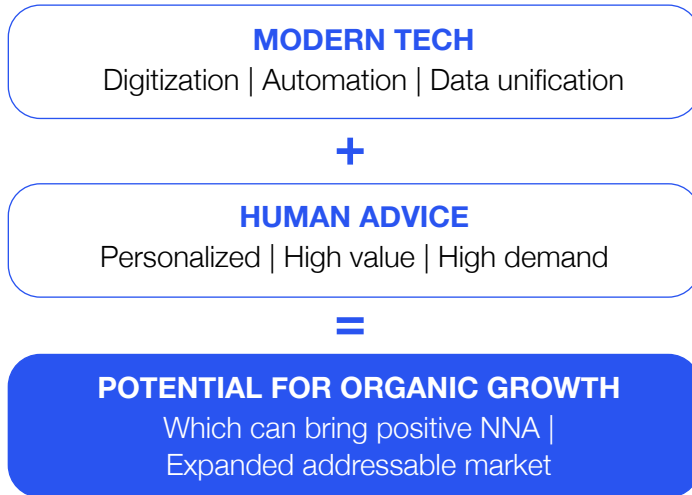
<sup>8</sup> Intelliflo. *84% of Millennials Say There Are Financial Topics They Need Professional Advice On, According to intelliflo Survey*. June 28, 2023. <https://www.businesswire.com/news/home/20230628444139/en/84-of-Millennials-Say-There-Are-Financial-Topics-They-Need-Professional-Advice-On-According-to-intelliflo-Survey>

<sup>9</sup> Ibid

# TIP 1

## The Business Model of Tomorrow Is High-Tech Hybrid

With the soaring demand for human advice, investment firms have plenty of opportunities to win new clients. Fortunately, modern technology is here to help.

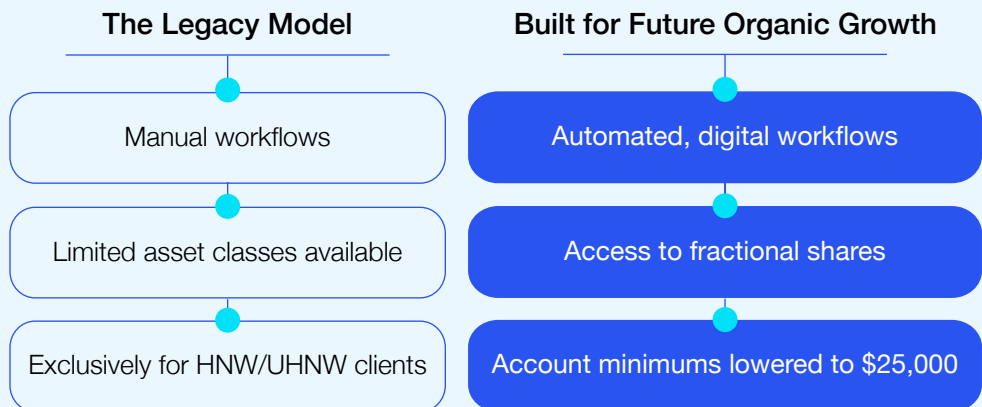


### CASE STUDY First Affirmative

## Scaling Without Sacrificing the Personal Touch

*By reimagining their business model and implementing technology from Apex Advisor Solutions, First Affirmative has successfully turbocharged their firm.*

### First Affirmative Before and After Apex



## CASE STUDY

### First Affirmative

George Gay, First Affirmative's CEO and founder, knew that his other custodian had constraints and limitations that were holding First Affirmative back. He needed a way to smooth out his internal processes and use that efficiency to address account minimums and organic growth.

George realized that he needed to find a custodian that could deliver an ecosystem of operational efficiencies and modern automations. He chose to collaborate with Apex Advisor Solutions to create a tech-powered hybrid model that improved operational efficiency, giving him the ability to lower First Affirmative's minimum investment amount for their clients to \$25,000.\*\*

## The result?

*A technology-fueled hybrid model that unlocked a rush of new business, and continues to support sustained organic growth today.*

## TIP 2

## Expand Your Target Market

You know and love the HNW and UHNW households. But there aren't enough of them to keep fueling the growth you want, so it's time to figure out who to target next (and how to serve them profitably).

Consider the High Earner Not Rich Yet (HENRY) cohort, a particularly appealing segment of the larger mass affluent market that encompasses 36.6 million households holding over \$20 trillion in investable assets.<sup>10</sup> And, combined with low HNW segment, they're set to create roughly \$45 billion in new revenue and account for 60% of the total wealth management revenue pool by 2026.<sup>11</sup>

To successfully serve this market, advisors will have to manage more clients. And the only way to make these human connections at scale is to eliminate tedious tasks that suck up hours of advisors' time without generating new net flows or revenue.

<sup>10</sup> Tiburon. The Future of Wealth & Investment Management. November 2, 2023.

<sup>11</sup> Over the next 36 months. Source: Oliver Wyman. 10 Trends for Wealth Management in 2023. <https://www.oliverwyman.com/our-expertise/insights/2023/jan/ten-wealth-management-trends-2023.html>



## TIP 2

## The Mass Affluent Have \$20 Trillion+ to Invest

Household Investable Assets	Total Investable Assets <sup>12</sup>	
\$1 million–\$3.5 million	\$10.6 trillion	New Millionaires
\$500,00–\$999,999	\$4.5 trillion	Mass Affluent
\$250,000–\$499,999	\$3.1 trillion	
\$100,000–\$249,999	\$2.6 trillion	
<b>\$20.8 trillion</b>		

### CASE STUDY Facet Wealth

## Modern Tech Helps Scale Human Advice

*By focusing on measuring and minimizing non-value-driving advisor activities, Facet Wealth was able to use technology from Apex Advisor Solutions to accelerate growth with a highly efficient hybrid model.*

### 1 Advisor Serves 200 Clients

Anders Jones, CEO and cofounder of Facet Wealth, was obsessed with building for scale without losing the human touch. He focused on optimizing operational efficiencies, including self-service robo solutions, that would allow him to lower his costs and profitably deliver human advice to clients that want it.

Anders also quantified the time advisors spend on administrative, non-value-driving activities to enable conversations focused on reducing this rate.\*\*

### The result?

*Thanks to his very intentional focus on value-driving advisor activities, Anders was able to grow his firm more quickly, and now boasts approximately 14,000 clients — 80% of whom had never worked with a financial advisor before.<sup>13</sup>*

<sup>12</sup> Tiburon. The Future of Wealth & Investment Management. November 2, 2023.

<sup>13</sup> "Where Did All the Organic Growth Go," WealthManagement.com Webinar, February 2024.

## TIP 2

# The New Organic Growth Requires Operational Efficiencies

Appealing to the next generation of investors won't happen automatically. There's work to be done, starting with reimagining a forward-looking business model, creating new value propositions, and identifying key differentiators. And once these decisions are made, you may have to access and invest in technology.

- **How much money will I have to invest?**

The dollar amount varies, of course, but rest assured that modern tech is modular, allowing you to choose and assemble best-in-breed solutions.

- **Will my business have to pause to rebuild?**

With today's open architecture and APIs, most of the work can be done more quickly (think weeks, not months) and in the background while you conduct business as usual.

- **The rewards of investing in new technology can be rich.**

Firms that optimize their technology — increasing efficiencies, reducing costs, and enabling advisors to better serve a broader range of client segments — can generate 44% more revenue, 59% more ongoing revenue, and 48% more assets under advice per advisor.<sup>14</sup>

## TIP 3

# Take Another Look at Your Underlying Custodian

Inefficiencies and frustrations that limit your firm's ability to scale human advice may stem from your custodian tech.

Take, for example, your operations team, which takes great pride in solving problems efficiently. They frequently face delays that are out of their control and the result of an outmoded custodian — manually resolving onboarding problems, copy-pasting from tab to tab, tracking down errors, etc. And what about your customer service team? When they're on hold with your custodian, they are not directly resolving client issues or improving the client experience.

<sup>14</sup> Eatlock, Nick. Wealth Management. Meeting Evolving Expectations with Hybrid Advice. Midyear 2022 Report. <https://bluetoad.com/publication/?m=62351&i=758140&p=84&ver=html5>

## TIP 3

Now think about how much time your advisors spend doing these types of tasks. Manually re-keying client information, playing detective when errors pop up, doing duplicative work in multiple systems — many of these frustrations arise from your custodial tech. Imagine regaining this energy and time for human advice.

Your custodian is so central to your business that its technology weaknesses are baked into your business model too. When there are hidden lags and snags throughout their systems, it can be difficult for your firm to create enough efficiency to meaningfully change your cost per client and your account minimums.

Ultimately, much of your pursuit of organic growth will hinge on your firm's ability to fundamentally shift how much time and resources it takes to serve each client to the standards you value. It is much easier to make this shift if your custodian's technology brings you new powers of automation, straight-through processing, and real-time capabilities.

## What Does a Modern Tech Stack Look Like?

During the past couple of years, the investment management tech stack has made huge digital advancements. As you start to imagine what your revitalized firm-of-the-future looks like, here are some of the new capabilities you can leverage.

## The Future of Investment Tech Is Immediate

Using solutions from Apex as an example, we can outline key elements of a future-looking tech stack.



**Advisors can see their entire business on one screen**, minimizing inefficiencies from switching between siloed workflows



**Fully digital onboarding** that can let a new client set up and fund an account within minutes<sup>15</sup>



**Personalization at scale** to help attract and engage the up-and-coming generations. According to McKinsey & Company, 7 out of 10 clients expect personalization and get frustrated when they don't find it<sup>16</sup>

<sup>15</sup> Most accounts can be opened in seconds and funded moments later, enabling trading thereafter.

<sup>16</sup> McKinsey & Company. The value of getting personalization right—or wrong—is multiplying. January 12, 2021.

## TIP 3

**In-system spreadsheet capabilities** that reduce the need for data exports to handle routine analytics

**Drag-and-drop columns and modules** allow advisors to customize their own workflows and views

**Sticky views** make it faster and easier for advisors to pick up where they left off and avoid rework

**Self-service solutions** so advisors and other staff members don't have to sit on hold for hours

**Role-specific system access** gives the right people access to the right information at the right time

**Advisors can easily group accounts** by type for detailed campaign analysis and more efficient bulk actions

**Built-in data analytics** allow advisors to write their own queries, run their own reports, and leverage AI to surface insights — all without data exports into spreadsheets

**Minimize the inefficiencies of tab-hopping** with built-in third-party tech integrations for common actions, such as rebalancing, tax-loss harvesting, fixed income investments, fractional trading, and more

**Mirrored advisor and client views** can help keep both parties on the same page, making it easier to explain the details that investors want to know

**Complete multiple related tasks from a single view**, such as calculating accurate state taxes on Required Minimum Distributions (RMDs) using a table of state tax rates displayed on the same screen

## TIP 3

**Answers to big-picture questions** and insights into overall firm performance through direct access to the data and tools you need, whenever you need them

**Integrated AI tools** to help automate workflows, gain business insights, and speed up simple tasks — these are a work in progress with new features being launched regularly

**A wide array of modular solutions** for data unification, liquidity access, regulatory cost basis and tax reporting, and more

**All delivered via flexible APIs** to help minimize your tech team's time commitment and to get your new business model to market faster

## Here at Apex, We Have a Proven Track Record

In the financial industry, innovation can't come at the expense of trust. We should know. Apex serves over 19 million end investors and has over \$141B assets under custody. For more than a decade, we've been the B2B custodian behind some of the largest and high-profile retail investing apps. We know how to foster quality investor experiences and support clients' pursuit of growth and scale. It's what we do.

### CASE STUDY Orion

## Orion Opts to Integrate Instead of Develop

Brian Towner, Orion's Director of Strategic Planning, wanted to offer advisors a true end-to-end digital destination that could efficiently service and support clients, while also attracting new investors. Plus, Orion wanted to control the experience they built, so they were looking for modular solutions that supported their vision.

Enter Apex Advisor Solutions. While everyone else is trying to control the advisor desktop with their full-stack proprietary solutions, Apex offered the opposite.

## CASE STUDY

### Orion

“Through their flexible and dynamic APIs, we’re able to stand up a fully digital platform and highlight to our advisors what the future of the industry will be – a fully automated, digital and paperless ability to open and fund accounts right away, easily move money, and quickly onboard new business,” Brian explains.\*\*

## The result?

*By integrating rather than building, Orion launched their end-to-end solution quickly, giving them a competitive advantage with today’s digital-minded TAMPs, firms, and their clients.*

## TIP 3

## The Next Step for Ambitious Advisors

Although may be tempting to delay big business decisions, you can’t wait too long. According to PwC, “one in six (16%) asset and wealth managers globally are expected to be swallowed up or fall by the wayside by 2027, twice the historical rate of turnover.”<sup>17</sup>

Now is the time to pursue organic growth with the best technology and service you have at your disposal.

Let’s talk about how our technology can help you successfully reimagine your business.

<sup>17</sup> PwC. One in six asset and wealth management companies will be swallowed up or fall by the wayside in the next five years: PwC Global Asset & Wealth Management Survey. July 10, 2023. <https://www.pwc.com/gx/en/news-room/press-releases/2023/pwc-2023-global-asset-and-wealth-management-survey.html>

## Start the Conversation

Learn More

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