

PRACTICE POINTS

Small-Account Solutions

By 2030, an estimated \$24 trillion in wealth is projected to be transferred to Generation X and Y investors.¹ While these groups have smaller accounts today, advisors are investing in long-term relationships. Dimensional's benchmarking results show that 29% of firms are offering small-account solutions to develop relationships with younger clients.²

Five reasons to offer small-account solutions

1. Build strong relationships with the next generation

Research shows that 66% of children who inherit family wealth do not continue working with their parents' advisor.¹ Dimensional benchmarking results indicate that firms offer a small-account solution primarily to retain the next generation of clients.²

2. Efficiently service "HENRYs"

HENRYs (high earners not rich yet) are younger investors who may accumulate a significant amount of wealth over their life.

3. Accommodate referrals

Our research also shows that 63% of firms offer a small-account solution to accommodate referred clients who do not meet their primary account minimums.²

4. Segment clients

Segmenting gives advisors the ability to efficiently deliver services tailored to their clients' specific needs.

5. Create capacity

A differentiated small-account offering can free up capacity for senior advisors and give newer advisors an opportunity to gain valuable experience.

Creating a small-account framework

- Identify segments using AUM or revenue as a metric.
- Clearly define service levels and delivery to each client segment.
- Create a fee structure that best suits each type of client.
- Determine appropriate asset allocations for smaller accounts.

Developing strong relationships with younger clients

- Host events for young children of clients to teach them the basics of money management.
- As they mature, include children of existing clients in financial planning meetings.
- Help older children plan for life events, such as buying their first car or choosing a college.

Servicing smaller accounts

- Use model portfolios that are best suited for younger investors.
- Leverage technology by holding client meetings virtually.
- Provide a user-friendly client portal where clients can easily access their accounts and view reports.
- Attend leading industry events to gain insights into servicing these clients.
- Develop an internal process requiring advisors to make the case for why a client should or should not go into the small-account solution.

Additional resources

Please contact a member of your service team for additional resources.

1. "The Future of Wealth in the United States: Mapping Trends in Generational Wealth," Deloitte Insights, November 9, 2015.

2. Dimensional 2017 Advisor Benchmarks Study.

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