
Advice is still a luxury item

By Editorial Staff Tue, Apr 5, 2022

Either because they avoid advisers or advisers avoid them, about 80% of investors with less than \$100,000 saved do not have a financial adviser, according to Cerulli. Fees are one obstacle.

A lack of investable assets considered adequate and associated advisory fees are barring investors from turning to financial advisers, according to the latest Cerulli Edge—US Asset and Wealth Management Edition.

Use of professional financial advice is positively correlated with household investable assets, Cerulli has found. More than half of participants with \$500,000 or greater in investable assets rely on a professional for retirement advice, compared with only about one-in-five (21%) with household assets of less than \$100,000.

Further, retirees with less than \$100,000 in investable assets are more likely to have no source of financial advice. In sum, less than one-third (31%) of retirees indicate a financial professional is their primary source of retirement advice.

Close to one-third of retirement investors with less than \$250,000 in household investable assets indicate they do not have enough investable assets to justify using an advisor—an issue many wealth managers are addressing with the incorporation of digital advice offerings.

“Services like retirement planning and decumulation become easier to scale across client accounts—regardless of minimums—with digital platforms,” said Shawn O’Brien, Cerulli’s associate director. “Some defined contribution managed account providers have implemented ‘hybrid’ advice platforms, which sit between traditional planning and advice and purely digital (‘robo’) advice to capture investors when they are ready for more customized investing and financial planning.”

Fees are another obstacle for participants. Nearly all (93%) view competitive pricing as at least somewhat important and the perception that professional advice is not worth the cost is a leading reason why participants eschew a financial advisor. However, particularly for wealthier investors nearing retirement, Cerulli suggests the value of working with a dedicated financial advisor or private wealth manager cannot be understated and, in many cases, is worth the asset-based fees.

Ultimately, providers offering financial planning and wealth management services should inform participants of the benefits of working with a dedicated financial advisor.

“While purely digital advice solutions tend to be lower cost and more easily accessible, many retirement investors prefer the comfort of working with a human advisor when making significant, consequential financial decisions,” said O’Brien. “Human advisors are arguably better equipped to address the behavioral finance side of investing than are purely digital solutions.”

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