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Evolution & Vision for Wealth Management & Retirement – AI and Technology Impacts

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August 28th, 2024

Agenda

The State of Wealth Management & Retirement Today

Changing Nature of Investment Management & Wealth Management Engagement

What's on the Horizon?

The Future of Wealth Management & Retirement

Evolution of Investment & Wealth Management

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The investment and wealth management industries entered a new phase around the early 2000s though the full implications only became clear in the last ~10 years as the mission expanded from alpha generation to client-centric portfolio alignment

Investment and Wealth Management in the Modern Age

Client-Centricity (Limited → Extensive)

Phase 2:
Let's Build a Solution
2000s to 2020s

Tagline	What Do You Need?
Offering	Factor-Driven Portfolio Construction w/ Alpha & Beta Building Blocks
Portfolio	Outcome-Oriented & Goal-Based
Value	Investor Alignment
Investors	Data-Driven & Knowledgeable

Phase 1:
Set It & Forget It
1960s to 2000s

Tagline	Leave it to the Experts
Offering	Security Selection & Standard, Opportunistic Funds
Portfolio	Long-Term Focused
Value	Index Outperformance
Investors	Low Information

Limited — **Investment Options** — Broad

Today

Source: Franklin Templeton Industry Advisory Services

Set It and Forget It Era:

- Institutional investors turned to more quantitative frameworks for portfolio construction and risk modelling following the "Go-Go" 1960s when "gunslinger" portfolio managers ran mutual funds up through highly concentrated bets on that generation's set of tech stocks, only to see values fall -40% to -50% by 1969
- Modern Portfolio Theory (MPT) helped set the framework for risk-adjusted returns and the 60/40 portfolio; the Capital Asset Pricing Model (CAPM) provided the framework to measure the generation of equity risk premium (alpha) and to separate investment skill from the market performance (beta) while accounting for the risk-free rate of return
- Equity and bond managers ran actively managed, opportunistic strategies seeking to outperform broad market indices

Let's Build a Solution:

- Fama's and French's factor model in the early 1990s was an attempt to enhance CAPM adding size and value factors to the market risk factor. Morningstar translated this into a set of equity style boxes and then later bond style boxes based on duration and credit
- More narrow indices were created to measure portfolio return, allowing for the growth of tradable passive indices—with ETFs allowing low cost (and in the U.S) tax efficient[1] access. Enhanced technologies allowed the atomic factors to become tradable as well by the 2010s and supported new types of attribution and performance analysis
- This provided more options on how to construct portfolios for wealth clients and allowed for more types of outcome-oriented and goal-based options, lending itself to a more data-driven approach that focused on the growing use of model portfolios that could vary the risk levels, wrappers, objectives, and time horizons of funds and giving wealth advisors more ways to engage with their clients

1. ETF tax efficiency can be derived from certain structural elements -including structural tax benefits from in-kind redemptions. When assets are delivered from the ETF via an in-kind transfer, no capital gains are realized. This can allow investors more control over the timing of their tax liabilities based on when they generally sell their position.

Wealth Managers Expand Offerings and Focus

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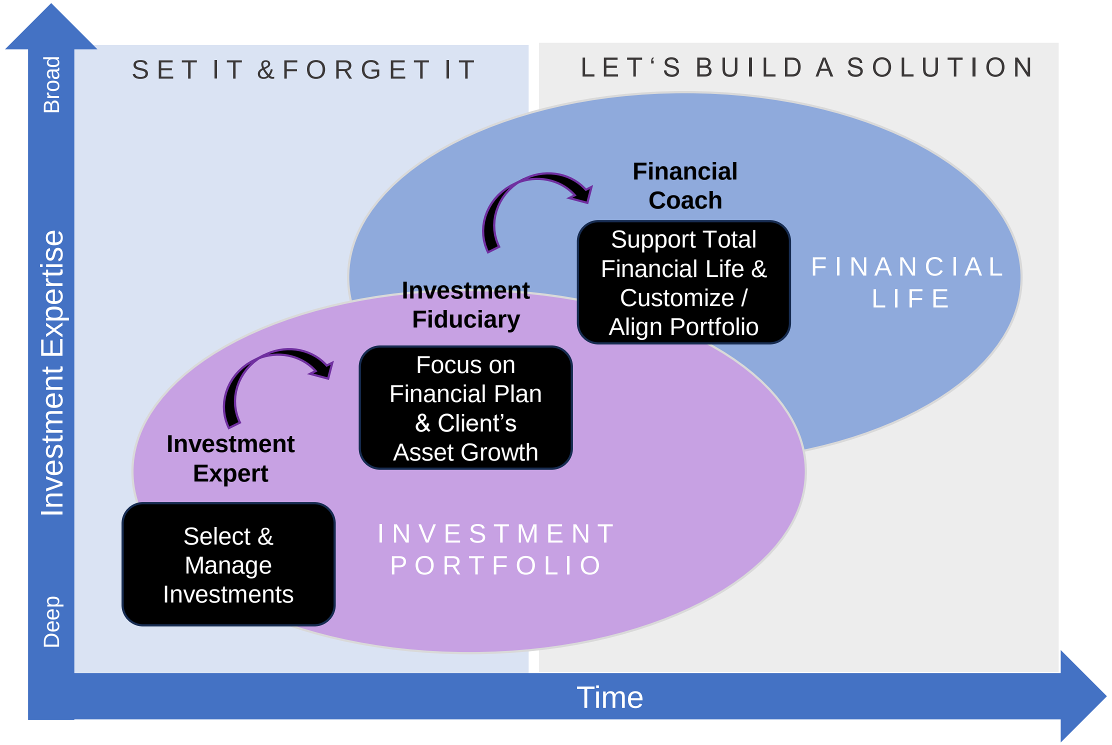
Regulations and technology advances have had iterative impacts on the wealth industry, evolving the focus from stocks to funds to portfolios and shifting the role of the advisor from investment-centric to customer-centric to helping a client's total financial life

Evolution of Wealth Advisor's Role & Focus[1]



- **From Stocks to Mutual Funds**: In the US, nearly 180 years of standard treatment of stock trade commitments ended in 1975 when the SEC deregulated commission rates. From 1975 to 2000, the cost of a single stock transaction dropped 90%[2]
- Full-service brokers shifted their focus as commissions on individual securities fell, emphasizing mutual funds, often issued by their own firm. By 1990, the Investment Company Institute estimated that 65% of new sales of direct-marketed funds were made by advisors to retail investors via mail, phone or office locations. By 2003 that figure had fallen to 37%[3]
- Employer-sponsored pension plans, banks, and life insurance companies entered direct fund sales and more fund complexes turned to 3rd party distribution as no-load fund supermarkets were introduced in 1992
- **From Product-Centric to Customer-Centric Advisory:** The proprietary information edge that advisors maintained since the 1970s began to erode in the 1990s with the launch of online brokerage websites that offered prices, news, research, charting and analysis. As access to information became more democratized and there was backlash to Dot.Com era practices at full-service brokerages, the model took on a more fiduciary-like focus and began to emphasize more use of fees—advisors began to think about a client's financial plan and overall asset growth
- **Focus on the Total Financial Life:** Many advisors began to leave wealth platforms to set up RIAs, but those that stayed at full-service brokerages were able to offer a growing array of value-add products from banking, lending, insurance, estate and tax management and more as they stepped into the role of a financial coach able to think about the total range of their client's financial needs

1. Source: Franklin Templeton Industry Advisory Services. As of October 2023.
2. Source: "History of Financial Advice." Mindful Money. November 17, 2023.
3. Source: "2004 Fact Book, Chapter Four: Where Investors Purchase Mutual Fund Shares." Investment Company Institute. 2004.

Technology Supports Lifecycle Wealth Approach

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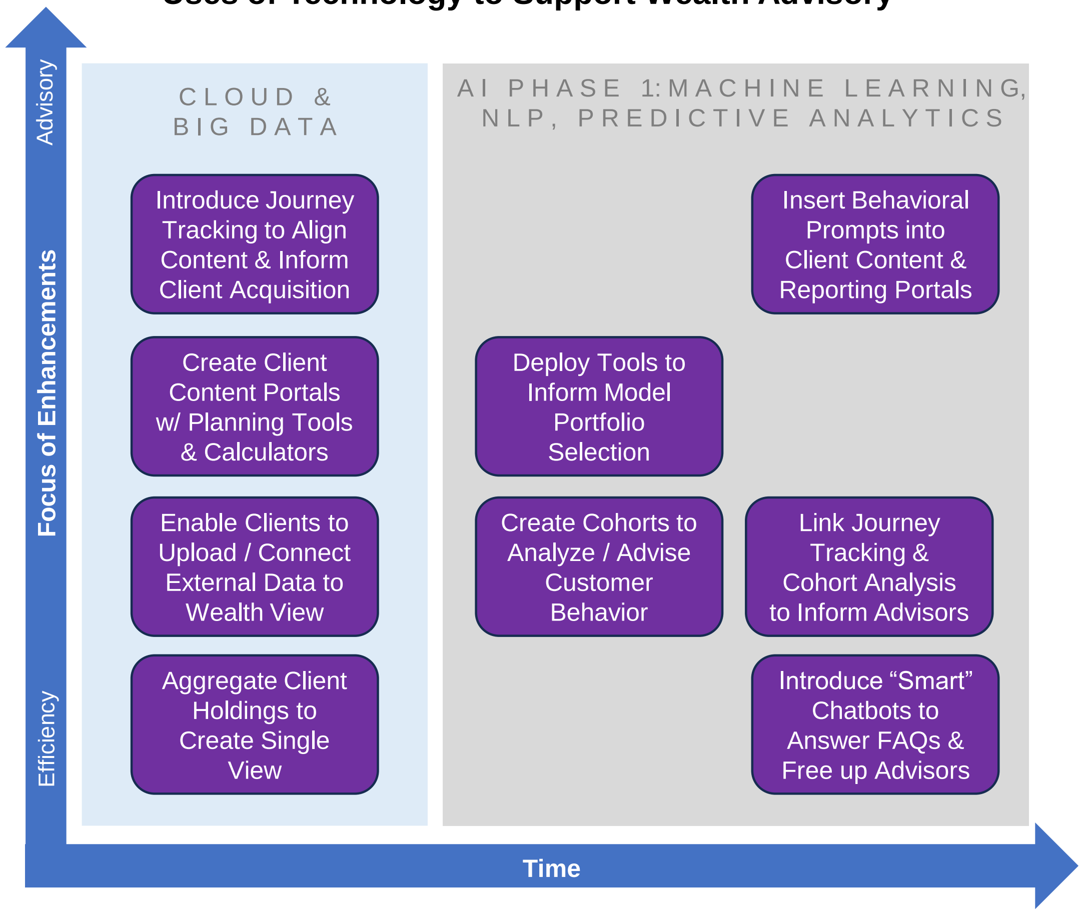
Understanding the client's broader set of financial needs became an imperative as the scope of the advisor's mandate broadened—journey-based tracking tools and cohort analysis became critical inputs to help advisors maximize client engagement

Uses of Technology to Support Wealth Advisory



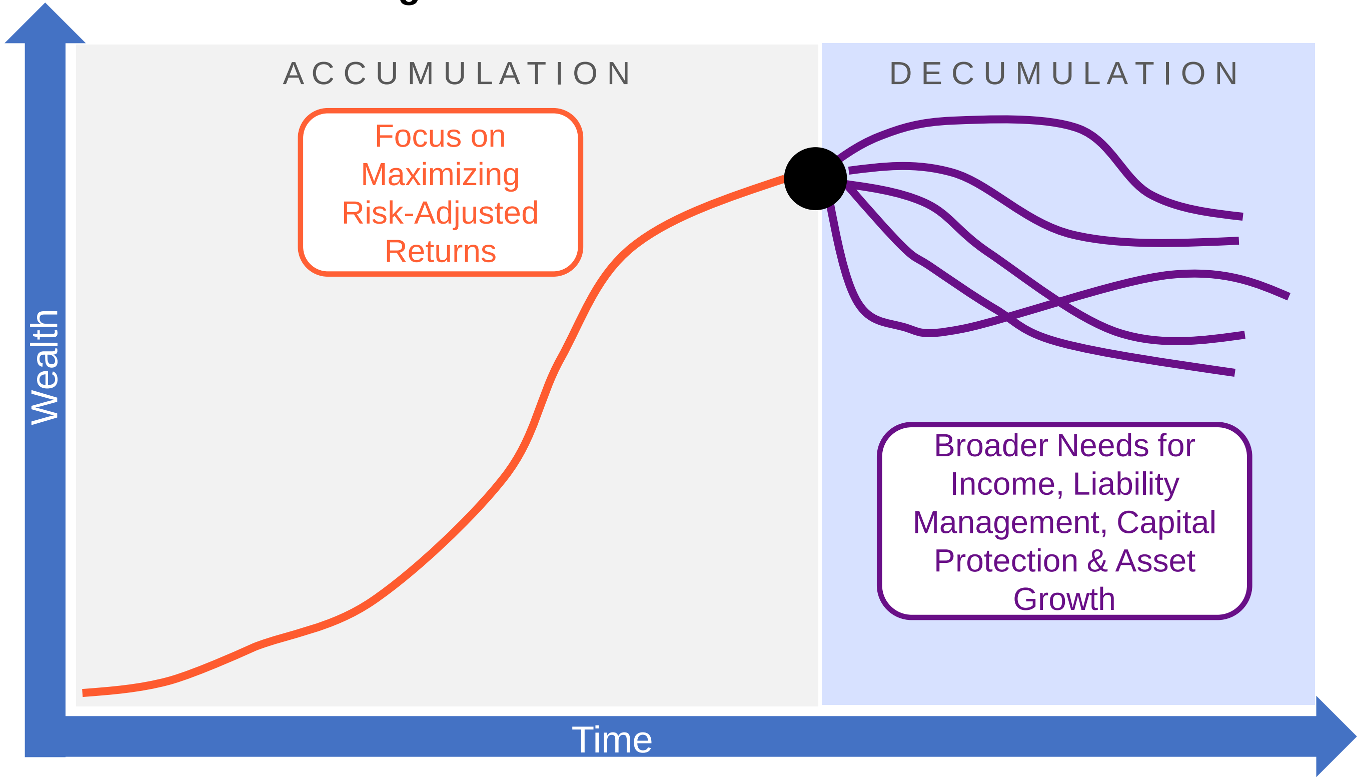
- **New Tech-Led Sales Tools**: As the use of internet and mobile technologies advanced, new sciences emerged around how to analyze customer behavior to enhance selling. These techniques look at the interactions that a customer has with a company across channels and represents these as a journey from first becoming aware of a client's interest to them making a final purchase, automating many of the early interactions and bringing humans into the process when a client is ready to act
- **Content-Rich Client Portals**: Static marketing sites were evolved into content-rich destinations with educational and situational content related to clients' different life stages and milestones, calculators and analytics to help them model their personal situations, and explanations of the types of products and activities that could be relevant depending upon their needs and age. These portals provided rich ground for journey-tracking tools
- **Linking Up Internal and External Views of Wealth:** Enhancing the information available to an advisor to understand the totality of the client's relationship with the firm and how their view of the client's wealth compared to the client's total wealth picture became a critical input to enabling the new role of a life coach. Firms moved from having an "account" view of a client to integrating systems, enabling the aggregation of external wealth data and creating total views of clients, families, key affiliates and more
- **Cohort Analysis & Advisor Workstations**: Armed with this information, advisors created cohort analyses, grouping clients by common characteristics and analyzing their buying behaviors and what key selling messages resonated most effectively. These prompts, account information, journey-based insights and interactions from the firm's CRM system were joined together into robust advisor workstations

Source: Franklin Templeton Industry Advisory Services

Journey Shift at Retirement

A meaningful shift in needs occurs as individuals retire, however, as individual circumstances become far more important in appropriately planning for the decumulation of assets – this increases the need for flexibility, advice, and customization

Shifting Portfolio Demands Post-Retirement



- **Accumulation vs. Decumulation**: Investor needs change over their lifetime which is why the journey-based approach is so powerful, but the set of needs of those who enter the decumulation phase of their life are significantly more personal and differentiated
- **Growing Set of Considerations:** Accumulation needs focus on maximizing risk-adjusted returns, but decumulation needs expand with a growing focus on income, liability management and matching, capital protection, as well as a need to have continued asset growth
- **Shift in Retirement Approach—DB to DC:** Many baby boomers entering retirement today were able to count on professional management of their retirement via defined benefit plans, at least early in their careers, but there has been a major shift in approach to defined contribution which has put more onus on individuals and narrowed the range of assets that can be held in most portfolios
- **Investment Industry Bias**: Most retirement offerings today are focused on how to help investors during the accumulation phase and ensuring as much participation as possible. Solutions for decumulation are beginning to emerge
- **Broad Concerns About Readiness: Enhanced Need for Advice & Customization**: Navigating the shift from accumulation to decumulation further underscores the need for advice and customization

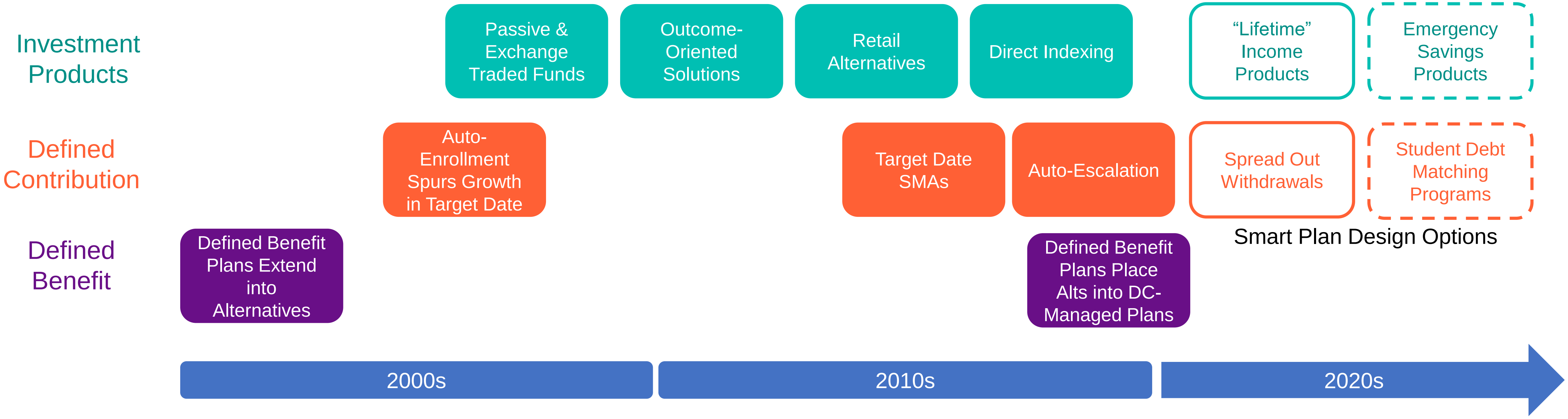
Source: Franklin Templeton Industry Advisory Services

Liability Management: *process of managing the use of assets and cash flows to reduce a firm's risk of loss from not paying a liability on time.*
Liability Matching: *a strategy used to reduce risk by matching future asset sales and income streams against the timing of expected liquidity needs.*

Enhancing Retirement Offerings

Improving participation and accumulation results have been the industry’s focus in recent years, but increasingly attention is shifting to how to better manage the turnover from accumulation to decumulation and support retirement needs

Evolution of Retirement Investment Options



- **Evolution in Investment Products**: Asset managers have been on a pathway moving them away from generic equity and bond products and toward more sophisticated alternative products and annuity-like products as well as vehicles that make it easier to customize portfolios or meet short-term needs
- **Enhancements in Plan Options:** With significant improvements now becoming evident from auto-enrollment and auto-escalation, defined contribution innovations are focusing on creating smarter design options and laying a foundation for enhanced portfolios and tailoring
- **Defined Benefit Plans Extend Expertise to Affiliated DC:** Defined benefit CIOs at corporate entities with parallel defined contribution plans are now re-formulating portfolios to incorporate alternatives and to allow members to extend their participation post-retirement

Source: Franklin Templeton Industry Advisory Services

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Shift from Product to Service-Driven Engagement

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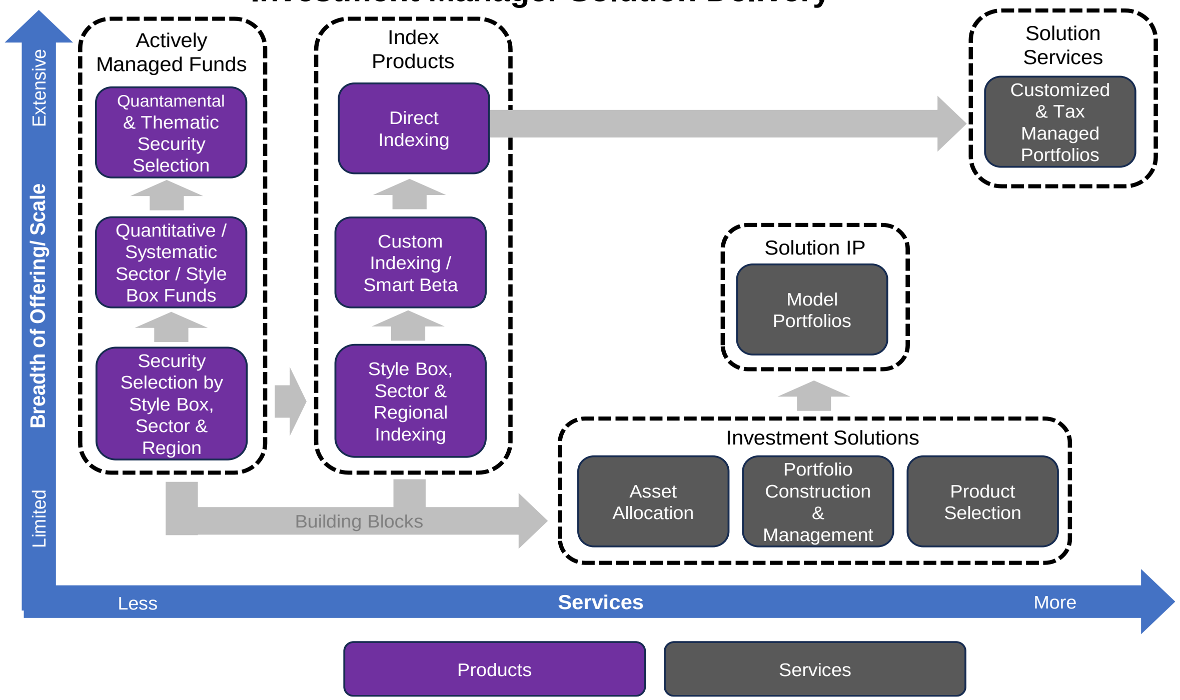
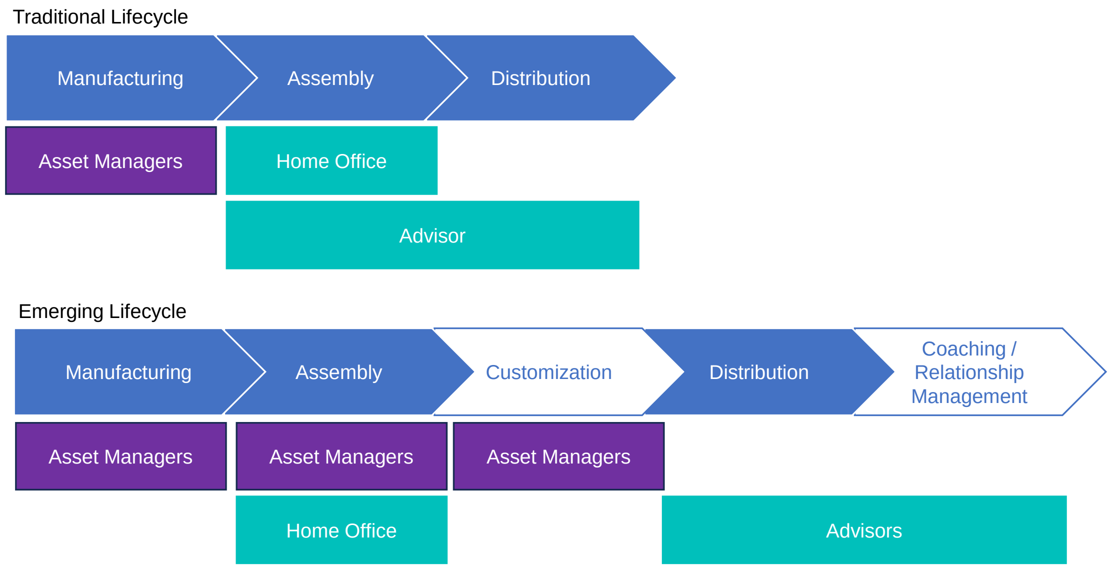
To support the broadening of the advisor's focus and role, many wealth platforms are beginning to engage more strategically with their investment managers, utilizing new tech-options to access models and embed services into their value chain

Investment Manager Solution Delivery



Evolution of Investment Manager – Wealth Manager Value Chain



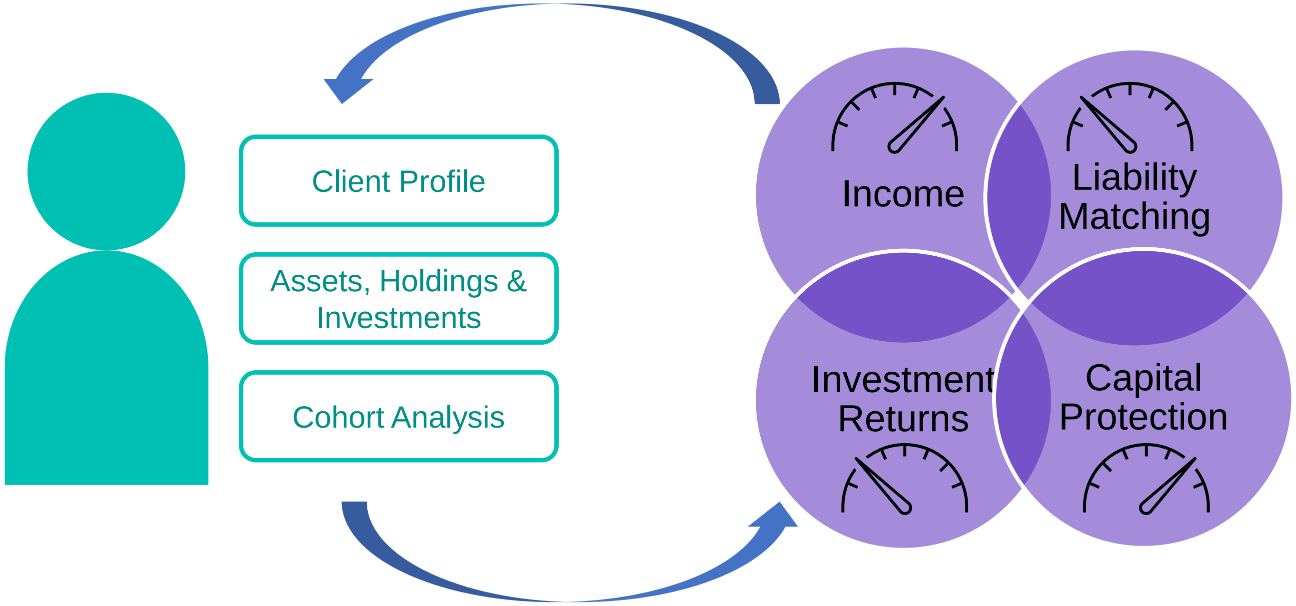
- WealthTech offered directly from investment managers to their distribution partners is transitioning the relationship from a product-provider to a service partner—rather than just being a manufacturer, investment managers are now manufacturing, assembling and customizing for their key wealth partners
- Solutions being offered to wealth platforms, often via new technology or APIs that the manager provides, create deeper value in the relationship, allowing home offices to standardize the set of funds and models that advisors can access and aim to minimize some of the investment risk on their wealth platform by shifting advisors away from making divergent investment decisions
- The trend in recent years has been for wealth providers to reduce the number of funds on their platforms to both rationalize their offering and to reduce the operational due diligence and maintenance burden—investment platforms able to offer a range of solutions as well as tech to support the relationship may offer a better strategic fit
- By consuming more of the product/portfolio construction and tailoring options from their investment manager partners, wealth platforms can focus advisors more fully on the acquisition of net new assets for the platform and cross-selling of value-add options such as savings accounts, mortgages and loans, insurance products, etc.

Chart Sources: Franklin Templeton Industry Advisory Services

Retirement Toolkits

Beyond models, leading asset managers are also taking a toolkit-based approach to the design of retirement solutions, providing a platform to wealth partners that combine analytics and multi-dimensional investment options to build a client's portfolio

Toolkit Based Wealth Solutions for Retirement



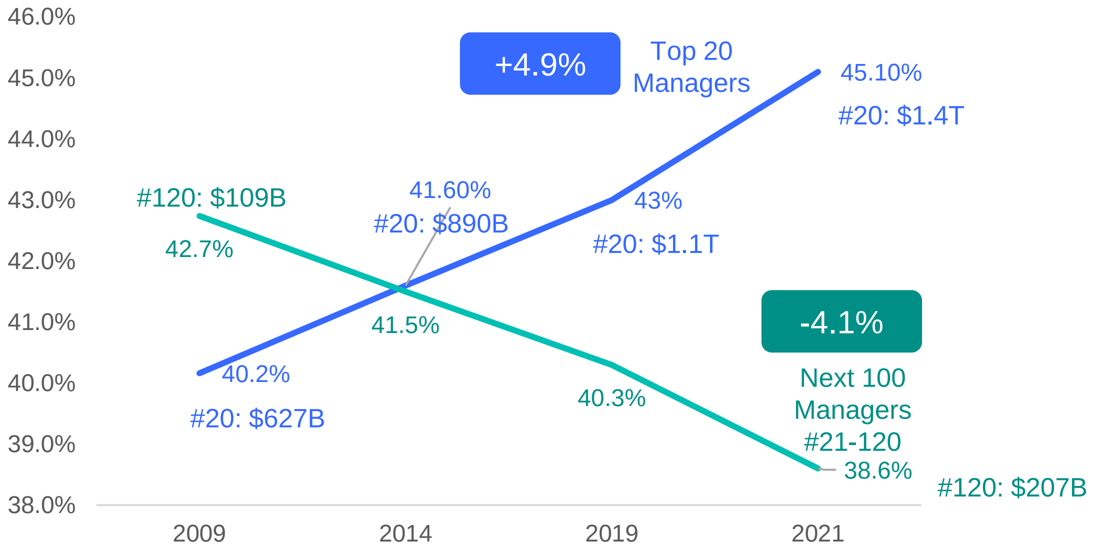
- **Multi-Dimensional Wealth Investment Options**: Future state retirement solutions will balance income, liability matching, investment returns and capital protections
- **Tailored Approach**: Shifting the power into the wealth managers' hands allows them to treat each client uniquely and find the right mix to address their priorities
- **New Product Options**: The toolkit is expanding to incorporate new options for more resilient and targeted portfolios--structured retail products to help tailor upside and downside risk tolerances, new liability matching products, annuity-like income streams
- **New Service Options**: New types of analytics are being developed that help with sequencing of drawdown accounts, retirement tax optimizers, and cashflow guardrails and alerts that help alert advisors of any excessive or underutilized use of income revenues or balances
- **Bi-Lateral Communication & Consultation**: Advisors have dedicated contacts within the asset manager for portfolio construction and management

Source: Franklin Templeton Industry Advisory Services

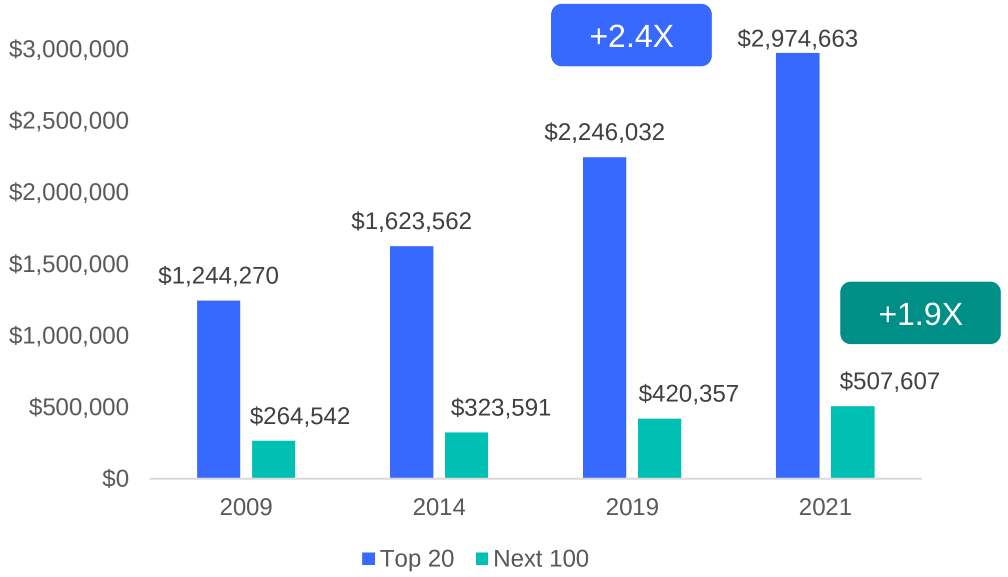
Concentration of Assets with Largest Firms

The costs of platform-wide change and acquiring sufficient investment, solution, and advisory talent has made it increasingly difficult for smaller firms to compete in a period of contracting margins—leading to more concentration and larger Top 20 firms

Share of Total Assets from Top 500 Asset Managers[1]



Average AUM of Top 20 & Next 100 Managers[1]



- The number of investment management firms with $1.0 trillion or more AUM has increased from 11 in 2009 to 30 in 2021 according to the Thinking Ahead Institute[1]
- The Boston Consulting Group (BCG) notes that average fees (net of distribution costs) have fallen -18% from 28 bps in 2010 to 23 bps in 2022 at a time when the average costs are rising and when the industry's ability to keep reducing overhead is limited as 60% of such costs are fixed[2]
- Net margins--as calculated by net revenues less costs as a share of AUM in basis points--declined by -23.1% from 8.2 bps in 2010 to 6.3 bps in 2022[2]
- In the US, the number of asset manager related mergers and acquisitions rose from 100 deals in 2014 to 296 deals in 2021[3], making that the busiest year for asset management M&A since 2000. There were 192 asset management M&A deals in the UK in 2022, the highest since data tracking began 40 years ago[4]

1. Source: Franklin Templeton Industry Advisory Services analysis based on "Chart: The P&I/Thinking Ahead Institute World 500 largest money managers." Pensions & Investments. October 19, 2020.
2. Source: "The Tide Has Turned." Boston Consulting Group. 2023.
3. Source: "M&A in 2021: asset management primed for consolidation." Financial Times. 2021.
4. Source: Ricketts, David. "Asset managers eye M&A deal surge over next 24 months." Financial News London. July 9, 2023.

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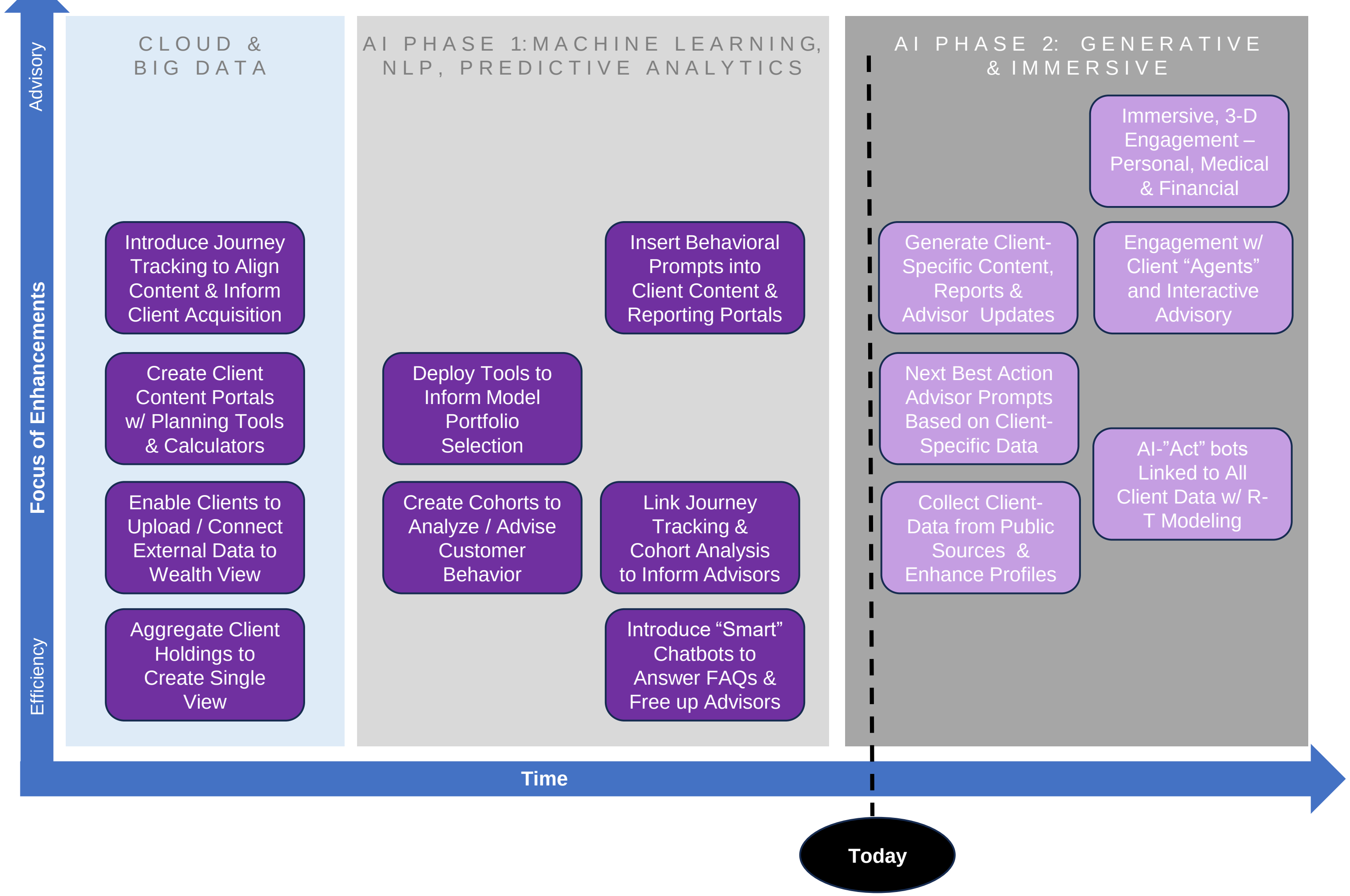
NextGen Tools and Analytics for Wealth Advisory

The introduction of new generative AI options are invigorating innovation efforts and positioning new wealth offerings to be more intuitive and dynamic—engagement will become more life-like, interactive and potentially even mimic the advisors themselves

Uses of Technology to Support Wealth Advisory



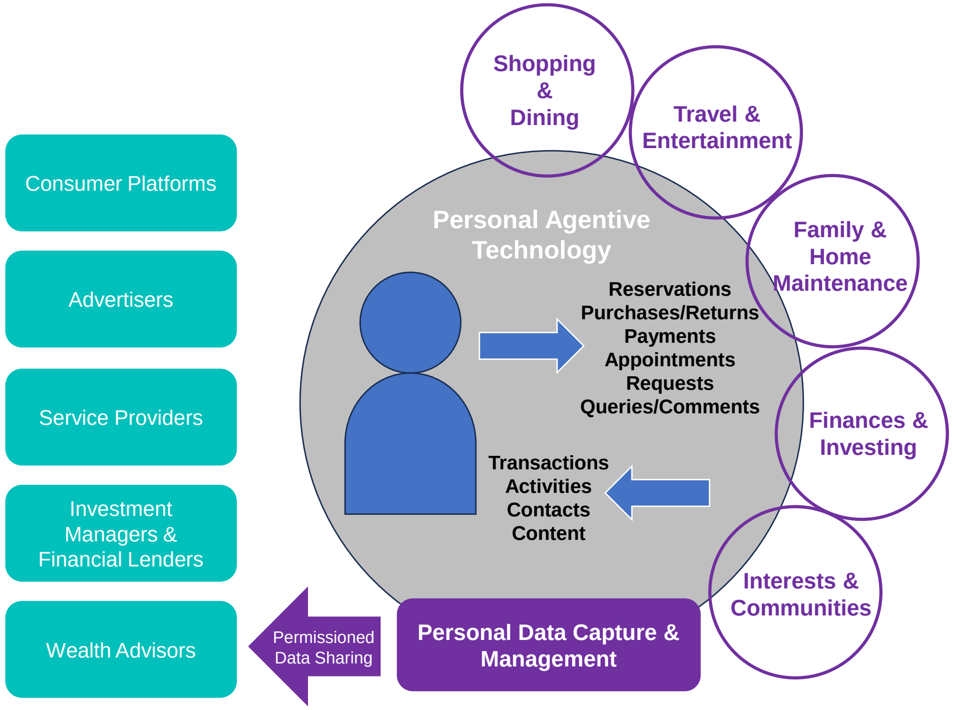
- **Generative AI-Driven Content**: Generative AI will most immediately be used to help extend the bandwidth of the advisor and allow the to deliver a more personalized experience, targeting content, tailoring investor reports, and producing timely and informative market updates
- **Cohort Analysis Progression**: Broad findings around cohorts and peer analysis will evolve to client-specific "Next Best Action" prompts that focus on a client's unique circumstances and offer up timely suggestions
- **3-Dimensional Client Profiles**: More data will feed cohort and peer models and build the client profile--Bank, retirement, investment, savings, and healthcare accounts, credit cards, insurance,, travel and more will be collected
- **"Act"Bots vs. Chatbots**: Engagement with digital knowledge channels will progress from simple FAQ type activities to fully "thinking" responses that incorporate prompts and are able to initiate and fulfill actions
- **Holograms & Metaverse:** These "Act"bots will start to be voice-engaged and present as holograms to individuals, maybe even taking on the avatar of their advisor

Source: Franklin Templeton Industry Advisory Services

Personal Agents & Dynamic Wealth Portfolios

Evolution in AI beyond today's generative large language models is already gaining attention with one key application being the creation of personal agentive technology that becomes an interface between an individual and the world

Vision for a Personal Agent[1]



- **Bill Gates & Forecasting the Future[2]:** In the early 1980s, Bill Gates issued a famous prophetic statement envisioning a future where there would be a computer on every desk and in every home. In his May 2023, GatesNotes, the Microsoft founder made another prediction

  > *"Advances in AI will enable the creation of a personal agent. Think of it as a digital personal assistant: it will see your latest emails, know about the meetings you attend, read what you read, and then read the things you do not want to bother with. This will improve your work on the tasks you want to do and free you from the ones you don't want to do. You'll be able to use natural language to have this agent help you with scheduling, communications, e-commerce, and it will work across all of your devices."*
  > *Bill Gates, 2023*

- **Activities & Data Management[3]:** In the future, a personal AI may make your reservations, initiate your purchases, coordinate any returns you need to make, submit your payments, schedule your appointments, book your travel, monitor your monthly budget, solicit and relay information from vendors, service providers, and community representatives. All the data that these interactions generate would be captured—your transactions, activities, contacts, and content. You would then be able to permission which entities you wish to share your data with or sell your data to and the AI would manage the negotiations and administration and payments related to those permissions

- **Dynamic Profiles & Evolving Portfolios[3]:** Having this constant flow of data from individuals to their wealth advisor platforms would allow for dynamic modeling of the individual as well as hyper-personalization. Data could be assessed to check for any changes in existing patterns that describe the wants, needs, activities, and engagement that defines your social identity. In turn, this data could feed into the wealth manager portfolio construction algorithms and prompt advisors to think about re-balancing the personally-enriching offerings in your portfolio as your needs change. In this way, the portfolio remains relevant to the individual's day-to-day life as their interests, needs, and affiliations change

1. Franklin Templeton Industry Advisory Services
2. Gates, Bill. "The Age of AI has begun." GatesNotes. March 21, 2023.
3. Represents opinion of Sandy Kaul/Franklin Templeton at time of publication. Subject to change.

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Warning Sign: Divergent Generational Needs & Views

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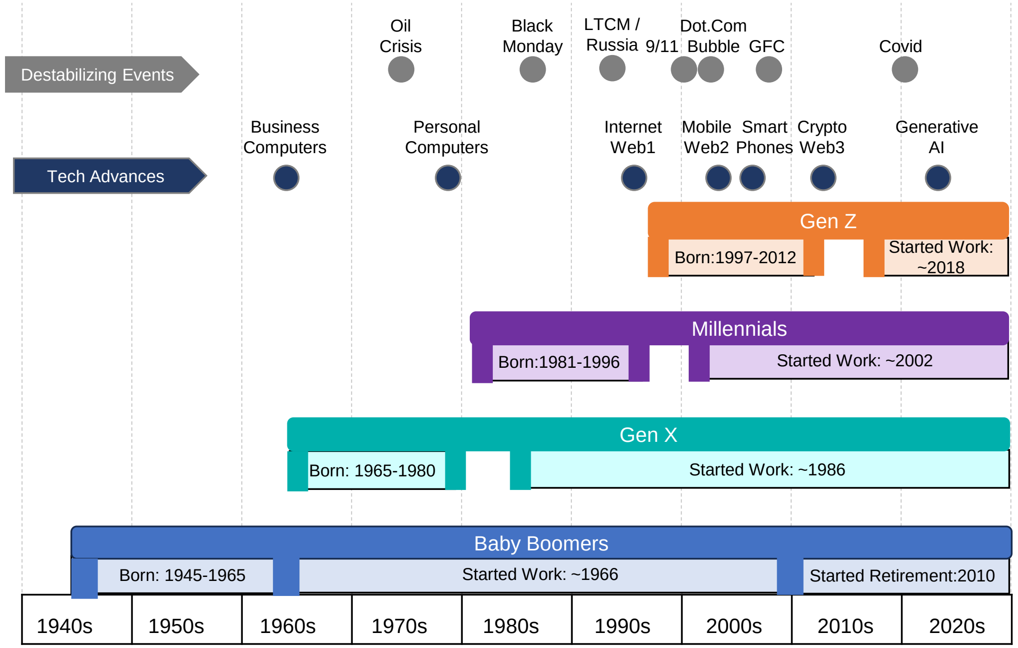
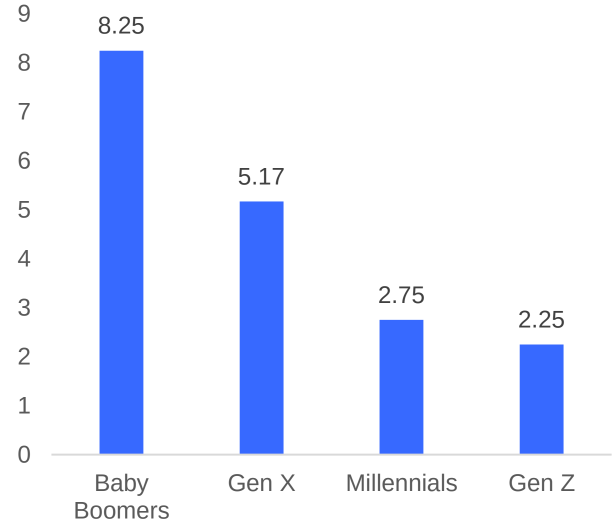
Generational events have benefitted the Baby Boomers but stressed subsequent generations, impacting their attitudes about wealth and their work pattern in ways that are make it hard to accumulate and require their portfolios to fulfill more needs

Life-Shaping Events by Generation



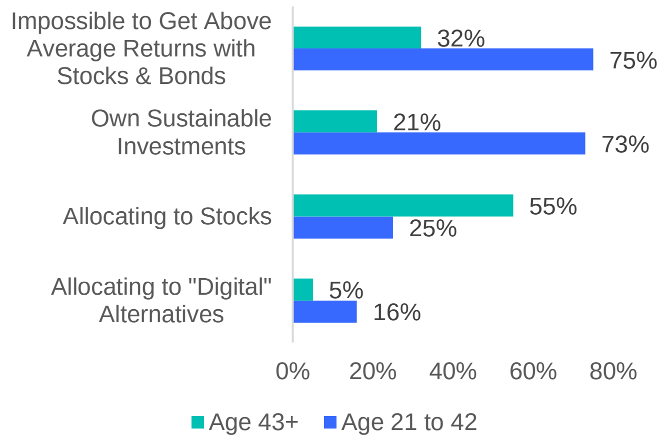
- A surprising, but well-agreed upon view began to emerge in our 2023 Industry Advisory Services - Inaugural Survey *(see appendix page 24)* that the traditional investment management industry was designed for and by Baby Boomers the richest generation in recent history
- Baby Boomers enjoyed an unprecedented period of stability and growth that allowed them to pursue long-term accumulation strategies in their investment portfolios—a luxury not available to follow-on generations

Average Years in a Job by Generations



- Gen X is the 1st generation to be worse-off than their parents in terms of retirement, wealth accumulation, cost of living, and upward mobility.[1] This generation has the largest debt load at +17% higher than the Baby Boomers and +26% than Millennials [2]
- Millennials had started their careers or were coming out of college in 2007-2009 and thus experienced a much higher rate of unemployment at a time when they had the highest levels yet of student debt[3]

Bank of America Private Bank Study



- Social media is the #1 place for Millennials (75%) and Gen Z (91%) to get investment information vs advisors (33% and 32% respectively)[4]
- A FINRA/CFA study found that Millennials and Gen Z were more likely to invest in crypto and NFTs[5]
- Gen Z and Millennials were 2x more likely than Boomers to say that being able to afford a lifestyle similar to their friends made them feel wealthy[6]

Chart Sources and Footnotes in Appendix

Shifting View of the Portfolio's Purpose

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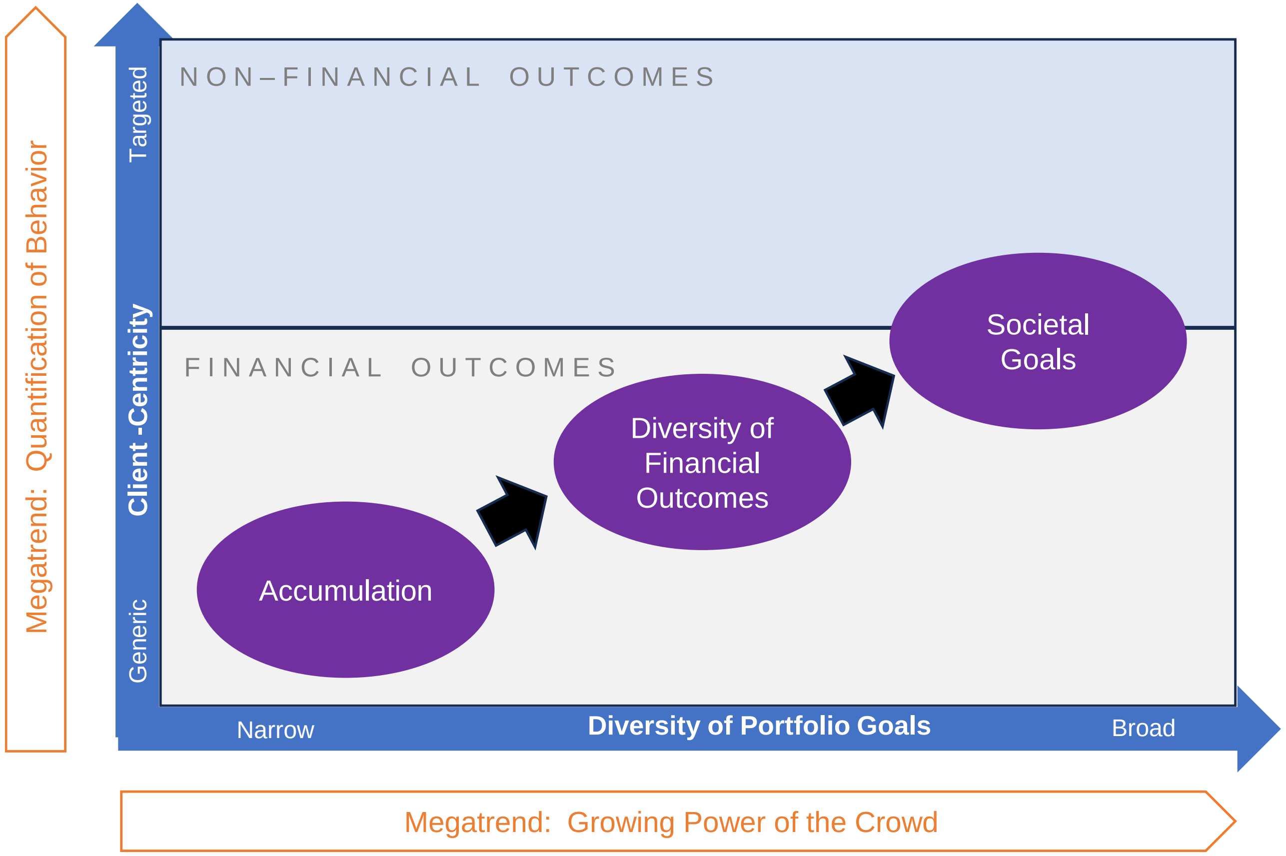
Net zero institutional commitments and demand from younger investors for thematic portfolios that focus on sustainability—Green Energy, Clean Water—are spurring company transitions and leading to a new 3rd dimension in portfolio measurements

Adding a New Non-Financial Outcome to Portfolio Measurement[1]



- **Political Backlash in US:** Although there was widespread acknowledgement across our 2023 Industry Advisory Services - Inaugural Survey *(see appendix page 24)* participants that growth in ESG investing has been slowed by political backlash in the US, there was also near universal agreement that the trend toward using investment capital to foster the transition of key industries to a "greener" future is a secular trend that will continue
- **Risk vs. Values Approach:** Institutional owners of securities see this as a pre-financial risk that threatens the long-term value of their portfolio holdings, but for younger individuals, this is a core value by which they are shaping their lives, and they are looking to use their investment capital to support outcomes that align with their personal beliefs. The Bank of America Private Bank study found that 73% of investors age 21-42 own sustainable investments versus only 21% of individuals over the age of 43[2]
- **New Non-Financial Portfolio Measures:** The International Sustainability Standards Board (ISSB) inaugural sustainability reporting standards were launched on January 1, 2024 (IFRS S1 and IFRS S2).[3] These mandatory guidelines require disclosure of sustainability-related risks and opportunities across the entirety of a company's value chain. This should simplify the compilation of new measures and make reporting on sustainability metrics more effective[3]
- **Three-Dimensional Portfolio Performance:** For the first time, an investment portfolio's performance may begin to be measured not only by financial metrics such as risk and return, but by a non-financial metric related to how each company in the portfolio is progressing in its transition based on specific metrics and on how the collection of companies held in the portfolio are progressing on these goals in aggregate

Net Zero: *the idea of cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere*

1. Source: Franklin Templeton Industry Advisory Services. As of October 2023.
2. Source: "Bank of America Private Bank Study Finds Younger Investors Turning to Alternatives, Sustainability and Digital Assets to Create Wealth." Bank of America. October 11, 2022.
3. Source: "The ISSB's New Sustainability Disclosure Standards." The CPA Journal. April 2024.

"Social" Investing as New Approach

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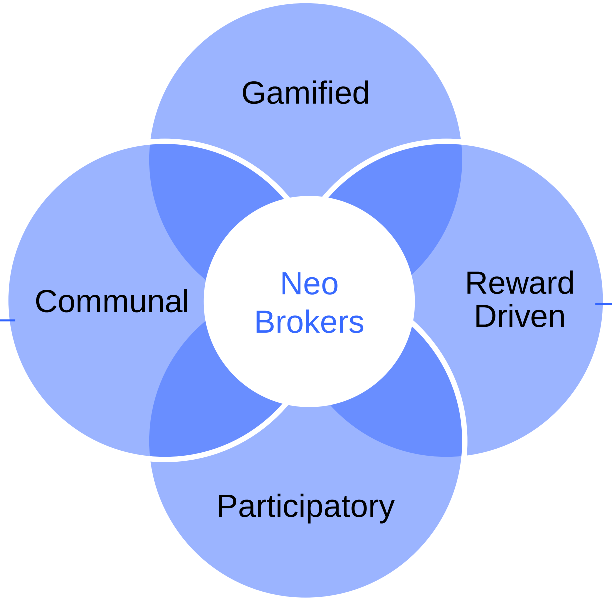
A new competitor targeted at younger generations is already offering a "social" style of investing that differs significantly from the expertise-driven investment and wealth management industry

- E.g., Able to trade $100,000 virtual portfolio with fake money using platform tools to learn about investing[2]

- E.g., Personalized newsfeeds with information on investor's holdings, models they follow, & actions taken by friends they follow with embedded discussion threads
- Financial Influencers[6]



- E.g., Fractional stock awards in public companies where an investor shops most [3]
- 1% match on 401(k) accounts[4]
- Rewards "scratch card" for depositing 1st $10[4]

- E.g., One-click ability to follow peer-generated model portfolios that direct fees to the model creator based on assets copying the strategy[5]

- Neo-brokers offer mobile investing apps with simple user interfaces, easy account onboarding, and options designed to make investing a part of an individual's social identity through participation, community, rewards, and gamified components
- Neo-brokers' low minimums allow all investors over 18 to participate regardless of their wealth level. Platforms are:
- **Bringing novice investors into investing**— 47% of users of TradeRepublic in April 2021 had never invested before including 18.6% of investors 35-48 years of age[7]
- **Engaging younger users:** A German study found 70% of users under 35[7]; A French study found average age of investors declining to 50 but neo-brokers' average age at 35[8]
- **Increasing market share**: Between Q3 2019 and Q3 2021, European neo-brokers increased market share of active clients, growing from 6.8% to 19.2% while traditional distributors fell from 71.6% to 56.3%[8]
- **Embedding passive investing**: FT quotes BlackRock as saying they expect 10 million new European investors to create an incremental pool of +€500 billion by 2026[9]
- **Creating New Investing Template**: Growing number of neo-brokers are including crypto (and looking at NFTs) as a new type of alternatives allocation in their robo-advisory models

Footnotes in Appendix

Glimpses of a 3rd Era in Investing

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The divergent views and approach of younger generations and their "social" style of investing and the quantification of a company's behavior to assess their transition progress for an investment portfolio are harbingers of a more significant change

Vision for a New Era: Better Living through Investing

Client-Centricity: Limited → Extensive

Investment Options: Limited → Expansive

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Today

Phase 3:
Better Living Through Investing
2020s Forward

Tagline	Me & My Portfolio
Offering	Social & Investor Factor-Driven Portfolio Construction w/ Tokens
Portfolio	Dynamic, Behavioral & In My Wallet
Value	Personal Enrichment
Investors	Engaged, Informed & Participatory

- **Quantification of an Individual's Behavior:** McKinsey notes that artificial intelligence can now create hyper-personalized content and offerings based on an individual customer's behavior, persona, and purchase history[1]
- **Creating Alignment Between an Individual and their Portfolio**: A guiding principal of the crypto domain is that users are rewarded for their participation by being given a share of ownership in any platforms that they support. This is the same principal behind the neo-broker Stash paying out stock rewards. By shopping with these companies, the individual is helping contribute to the organizations' success, and in return, by getting fractional shares of stock in the companies where they shop the most, the individual is getting to benefit financially from the success that their actions helped to foster
- **The Potential Portfolio of the Future**: Rather than being adjusted or tailored around a standard template, the future portfolio may be built specifically to the individual's needs. Such needs may extend beyond financial needs to incorporate new types of performance measurements such as those that address societal needs. More of what goes into the portfolio is also likely to be based on personal affiliations that make an individual feel aligned to how their money is deployed
- **Reward-Driven and Participatory**: Investments may deliver special benefits, rewards, and perks that allow the individual to enjoy their life day-to-day. This moves the portfolio from being something that exists off to the side of an individual's life, slowly accumulating, to something that is at the core of their living

Source: Franklin Templeton Industry Advisory Services

Portfolios as a Source of Personal Enrichment

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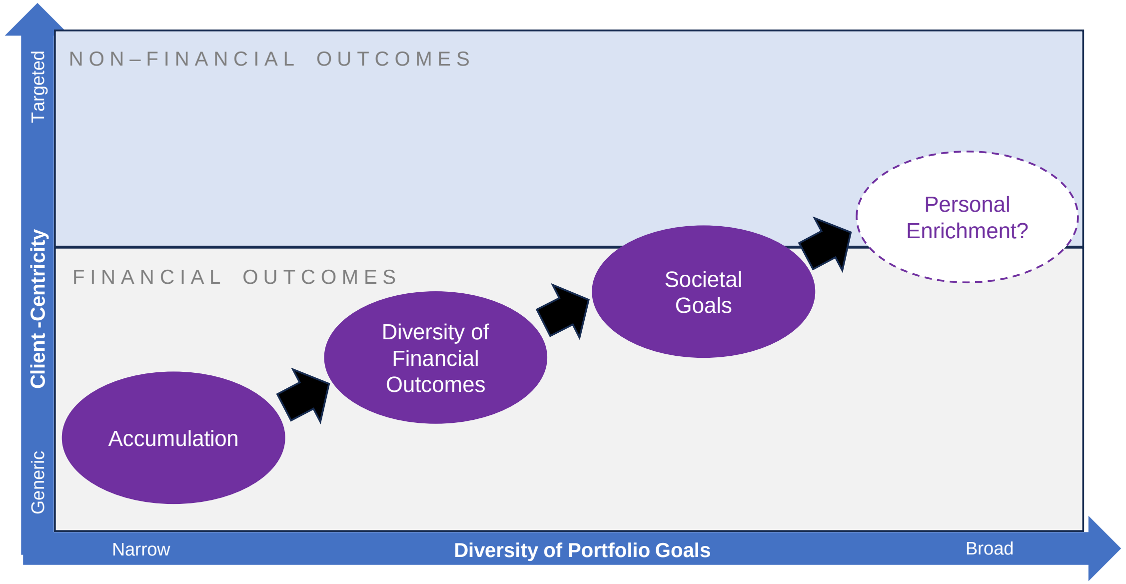
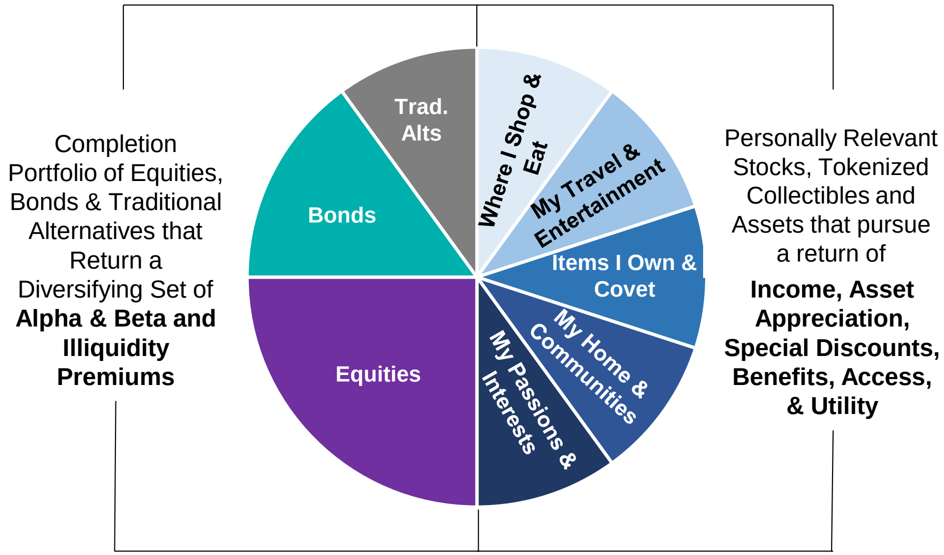
Designing the portfolio to deliver personal enrichment as well as financial enrichment would create the type of alignment that younger generations need and desire; wrapping that social style of investing with professional expertise to meet investors' long-term objectives

Evolution of Investment Portfolio Goals



Bringing Together Expertise & Social identity in the Portfolio



- **Investment Dollars Do More**: Just as individuals today are already looking for their investment dollars to do double work and help to achieve some of their societal goals by addressing sustainability or other values-linked objectives, they are likely to want those same investment dollars to bring more enjoyment, benefits, and convenience into their day-to-day life
- **Experiential and Financial Payouts**: By structuring investments to offer both a financial component and an experiential component, investors will be able to connect with like-minded peers, stretch their income by using investment perks to obtain discounts or special rewards, and still obtain some type of financial incentive either through income, asset appreciation, or yield

- **A Portfolio Build Around the Individual**: To optimize the experiential component of investing, portfolios in the Better Living through Investing age, referenced on slide 19, will need to understand not just who the individual is, but how they live, and what they want out of life. This is likely to be the job of the wealth platform and advisor as they seek to provides the best opportunity to create a meaningful portfolio to enrich the investor's day-to-day living
- **Diversifying the Personal Concentration Risk**: Just having these investments will not offer a sufficiently robust portfolio to satisfy the longer-term financial goals of the individual. Investment managers will need to work with wealth advisors to "complete" individual portfolios by adding the diversifying investments that will allow for a better risk-adjusted return as well as an experience-rich return

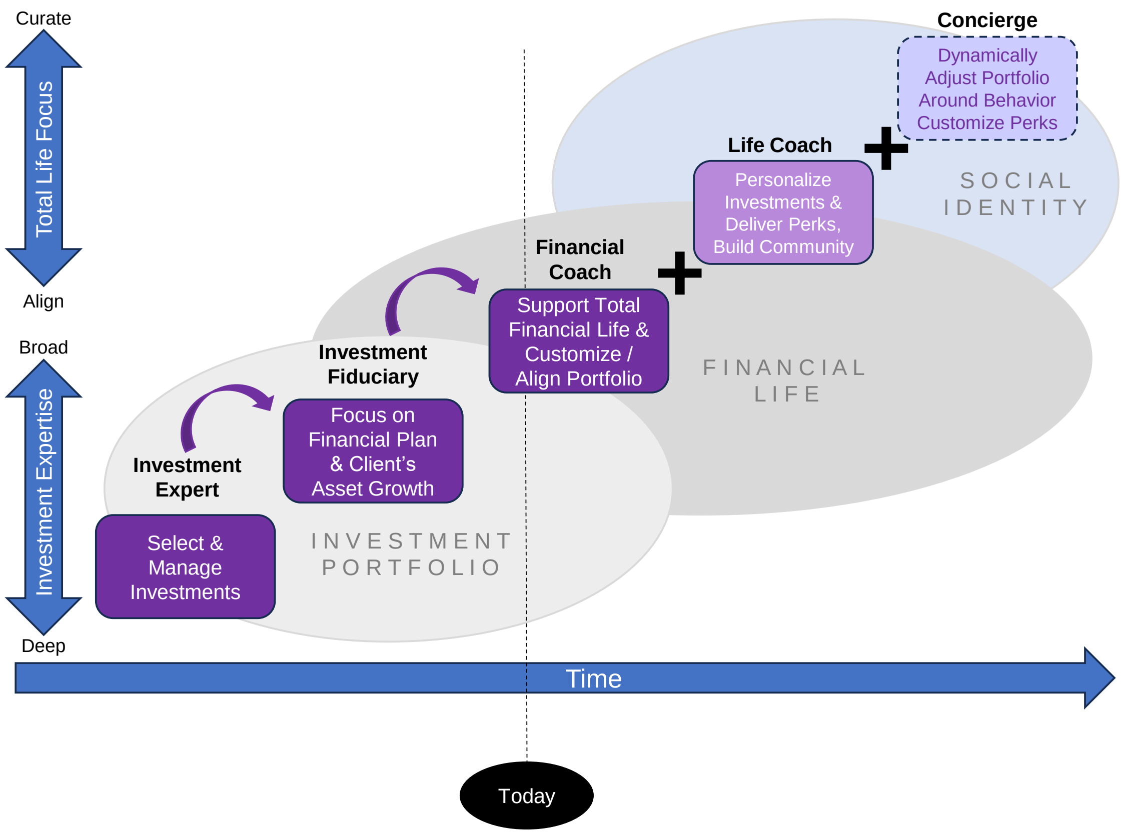
Chart Sources: Franklin Templeton Industry Advisory Services

Tokenized Collectibles: *digital tokens that represent ownership rights in artwork and other collectibles*

The Future of Wealth Management

If the vision proves correct, we may see another iteration in the focus of wealth management to incorporate the investor's social identity and an evolution in the role of the advisor to be a broader life coach, not just a financial coach

Vision for Wealth Management



Expanding Mandate for Wealth Managers: Based on the survey's findings, wealth advisors will need to think more holistically about their client's entire life, not just their financial life. Understanding the groups and communities with whom clients engage and how they can more effectively and enjoyably interact with these constituents may become as important as thinking about how the investment portfolio and broader set of value-add financial offerings support their financial goals. This would require them to extend their mandate in 4 ways:

- ***More Assets***: The range of assets that clients may demand for their portfolio could extend well beyond today's stocks, bonds, cash products, commodities, and alternatives. Thinking about how to access a broader range of assets and pushing partners to think about how to provide these options may become a key consideration and part of what wealth advisors demand from investment management partners
- ***More Leveraging of Client Assets***: Understanding, unlocking, and monetizing trapped liquidity in their investor's assets by working with investment managers to structure and issue assets may become a key service requirement
- ***More Utility***: In addition to financial aspects of a prospective investment, wealth managers may need to offer more benefits, perks, and rewards to customers whether through their own strategic partnerships or as an extension of their partnership with investment manager platforms and link these offerings to specific investments and financial return streams
- ***More Personal Relevance***: Wealth managers will need to move beyond cohort analysis to hyper-personalized profiling of customers to understand how to build the most optimal portfolio—this is where AI may become a critical tool

Chart Source: Franklin Templeton Industry Advisory Services

Appendix

Sources

Warning Sign: Divergent Generational Needs & Views

Chart Source Left: Franklin Templeton Industry Advisory Services.
Chart Source Upper Right: “Millennials or Gen Z: who's doing the most job-hopping.” CareerBuilder.
Chart Source Lower Right: “Bank of America Private Bank Study Finds Younger Investors Turning to Alternatives, Sustainability and Digital Assets to Create Wealth.” Bank of America. October 11, 2022.

1. Source: “The Forgotten Generation: Gen X and the Great Resignation.” Resource1. December 2, 2021.
2. Source: Depietro, Andre; Lapera Gaby. “Average American debt by age and generation in 2023.” Credit Karma. June 22, 2023.
3. Source: Kurt, Daniel. “How the Financial Crisis Affected Millennials.” Investopedia. November 22, 2022.
4. Source: Caporal, Jack. “Gen Z and Millennial Investors: Ranking the Most Used, Trusted Investing Tools.” The Motley Fool. August 3, 2021.
5. Source: “FINRA Foundation-CFA Institute Research Focuses on Gen Z Investors.” FINRA. May 24, 2023.
6. Source: Dean, Grace. “Many Gen Zers and millennials say they delay financial planning because it's time-consuming and complicated, survey finds.” Business Insider. June 20, 2023.

Warning Sign: “Social” Investing Shifts Model (see slide 24 for more information)

1. Source: Statista.
2. Source: eToro.
3. Source: Stash.
4. Source: Robinhood.
5. Source: eToro.
6. Source: BUX.
7. Source: Kritikos, Dr. Alexander; Handrich, Dr. Lars; Gorgels, Dr. Stefan; Priem, Maximillian; Morales, Octavio. “Hype or New Normal? Insights into the motives and behavior of a new generation of investors.” DIW ECON. February 9, 2022.
8. Source: “Retail investors have grown in number, are younger and increasingly use neo-brokers since the Covid crisis." AMF. November 30, 2021.
9. Source: Flood, Chris. “BlackRock pushes to attract more retail investors to ETFs.” January 31, 2023.

Industry Advisory Services – Inaugural Survey

Methodology (Fall 2023)

We conducted off-the-record unscripted interviews with CEOs, CIOs, COOs, heads of strategy and other business heads to gather their views on interesting developments and expectations for the future of wealth and investment management.

Topics ranged from

- The evolution and future of the investment and wealth management space
- Most important trends and changes from the past few years
- Views and priorities for the near- and long-term
- Impacts and potential impacts of technology on the finance industry broadly, and how that might influence their future strategy
- Generational wealth transfer
- Attributes of a great asset manager and strategic partner

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