

Rising use of structured products for US advisors, InspereX survey finds

North America | Industry
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Advisors are increasingly using structured products to differentiate their business and enhance client relationships, according to the survey.

Structured products were identified as an effective way to differentiate an advisor's business, according to the InspereX Pulse Survey of 487 financial advisors released today (10 September).



Advisors are increasingly using structured products as their competitive advantage - *Chris Mee*

Downside protection (83%) is the main reason for the use of structured products followed by capital protection (75%), generating income (49%), keeping clients invested in the market (44%), replacing fixed income (42%), and customising potential outcomes and risk exposure (35%), the results show.

'Advisors are increasingly using structured products as their competitive advantage,' said Chris Mee (*pictured*), head of distribution at Inspere X.

The survey was conducted between 8-15 July 2024 by Red Zone Marketing on behalf of InspereX. The 487 financial advisor respondents work at independent broker-dealers, registered investment advisors (RIAs), banks, regional firms and wirehouses. The S&P 500 high was 5,666.94 and closed at 5,631.22 on 15 July during the survey period.

Approximately 64% of the respondents may include structured products or market-linked notes in their customised portfolios while 46% of them also consider market-linked certificates of deposit (MLCDs).

More popular options are exchange-traded funds (ETFs) (93%), mutual funds (89%), individual stocks (69%), cash or cash equivalents (69%) and annuities (67%).

Half of the respondents own structured notes or market-linked notes in their personal portfolio. Meanwhile, the proportion drops to 36% for the advisors aged 22 to 35.

In their business, 75% of the respondents said they use structured notes or market-linked notes driven by a need for new investment solutions (54%) and convincing performance statistics (40%).

A request from a client has prompted 26% of the respondents to use structured products in their business, followed by a need to become more competitive (24%), seeing their colleagues succeed with structured products (21%), clients who are unhappy with portfolio performance (18%), a major market correction (13%), the suggestion of their boss (4%).

Meanwhile, two percent of the respondents said they would not consider structured products at all.

In terms of asset allocation, structured products account for less than 10% of the portfolios for half of the respondents while they make up 11% to 30% for 45% of the respondents. Only the remaining five percent allocate over 30% of their assets to structured products.

Focus on older clients

The survey finds that there continues to be a strong focus on older clients, with just 18% of clients under the age of 50. The majority (59%) of their clients are at least in their 60s.

Most assets that their 50-and-under clients have come from the clients' jobs, according to 73% of respondents. Only 12% said younger client assets came from an inheritance.

Though 60% of advisors agree that the younger generation is being influenced to go elsewhere for advice, 87% do not believe that pursuing younger prospects is a waste of their time.

Over half of the respondents (64%) were most surprised by how much their younger investors rely on social media for investment education. A third of them said they were surprised by how these investors won't admit they need help and how low their investment IQ is.

'Given the combination of many advisors citing death as the top reason for losing clients, coupled with the small percentage of advisors working with clients under the age of 50, it's likely advisors are missing opportunities to retain business and engage the next generation of investors and heirs,' said Mee.

Click [here](#) to view the full survey.

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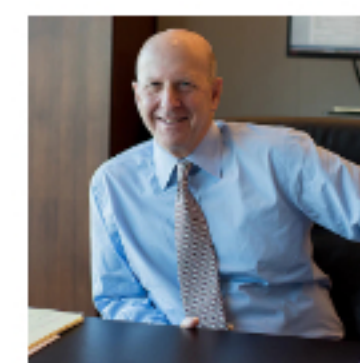
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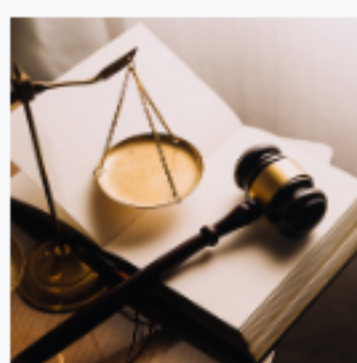
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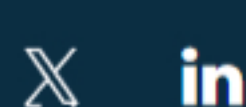
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