

The Emotional Journey of the Ultra-High-Net- Worth Client

Understanding the Advisor's
Job to Be Done

2024

Ken Haman, Managing Director—AllianceBernstein Advisor Institute

This presentation is provided by AllianceBernstein L.P. This presentation booklet has been provided to you for use in a private and confidential meeting to discuss a potential or existing investment advisory relationship. This presentation is not an advertisement and is not intended for public use or distribution beyond our private meeting.

For Investment Professional use only. Not for inspection by, distribution or quotation to, the general public.

Introducing the AllianceBernstein Digital Coach®

A great resource for access to a wide array of business-management resources

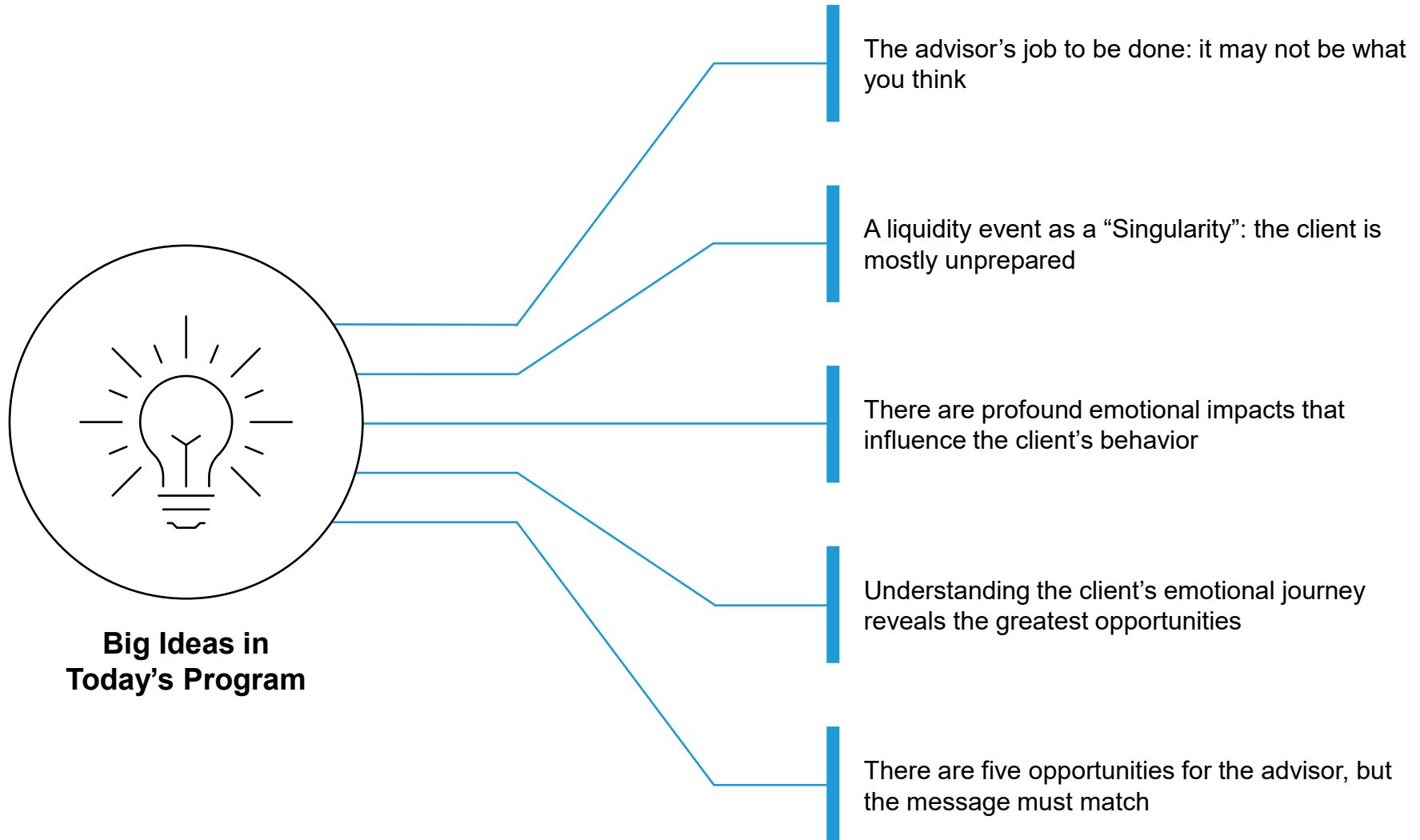


- This interactive diagnostic experience identifies your current business-management challenges and provides easy-to-use resources to help you address those needs
 - An advanced search tool gives users access to dozens of the Advisor Institute’s business-management resources, which are simple to understand and easy to execute—all at no cost
- New programs are introduced every quarter, making this library an important resource to support your commercial success
 - There are two ways to access a resource:
 1. Select which of the four functional areas of running your business you are most interested in improving. This gives you access to the white papers, execution guides, presentations, videos and podcasts that will be most helpful for you
 2. Click on our AI-enabled search and ask your question. The Coach will provide a curated answer and tell you where you can find more information on the topic in one or more of our programs



Understanding the Emotional Journey of the Ultra-High-Net-Worth Client

Where we are headed: key concepts in the program



Starting to Design a Business Model: What Is the Job to Be Done?

Clayton Christensen, Professor of Business Administration—Harvard Business School



“

When we buy a product, we essentially ‘hire’ it to help us do a job.

—Clayton Christensen et al.

“

What is the job to be done that a client hires an advisor to deliver?

—Ken Haman

Photo source: “Clayton Christensen,” Wikipedia.org (accessed August 2024)

Source: Clayton Christensen et al., “Know Your Customers’ ‘Jobs to Be Done,’” *Harvard Business Review* (September 2016), and AB



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

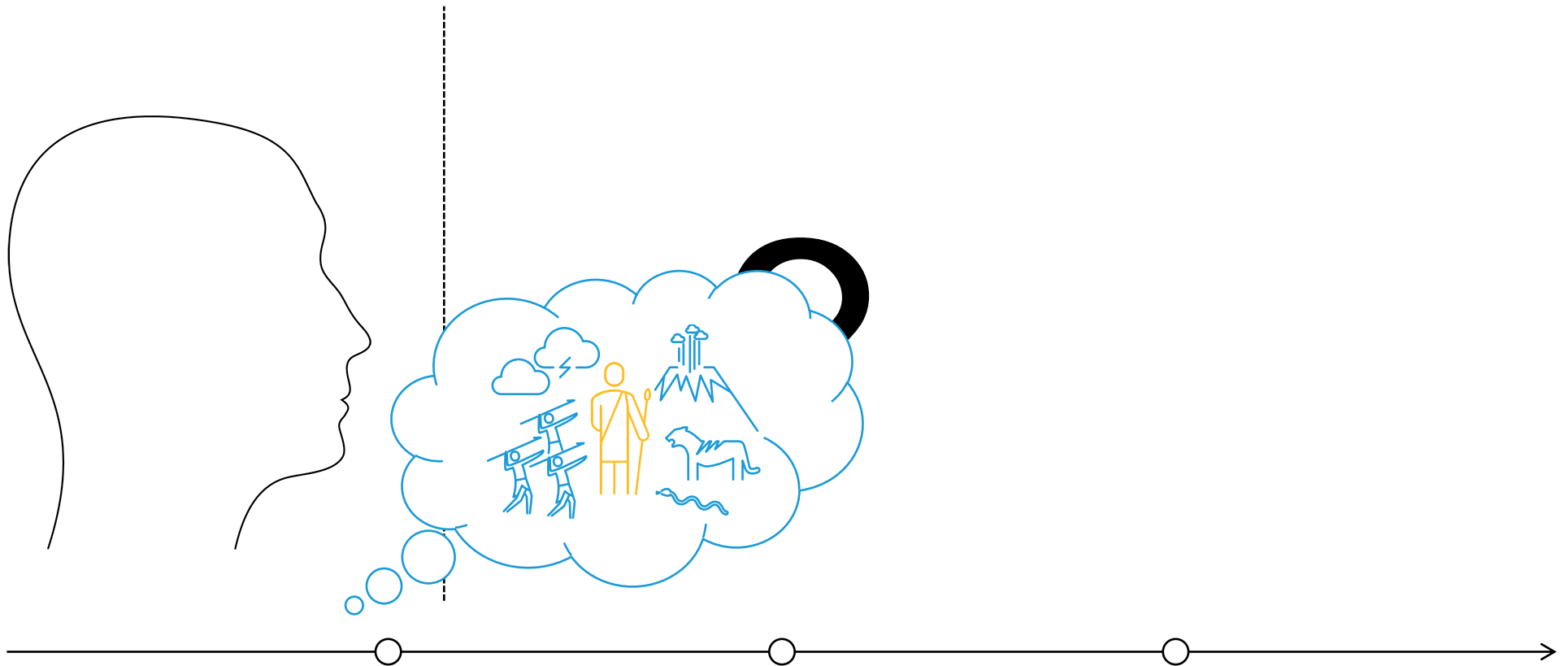
The Client's Problem: Anxiety About the Future

Human beings evolved in a hostile ecology



The Problem for the Client...

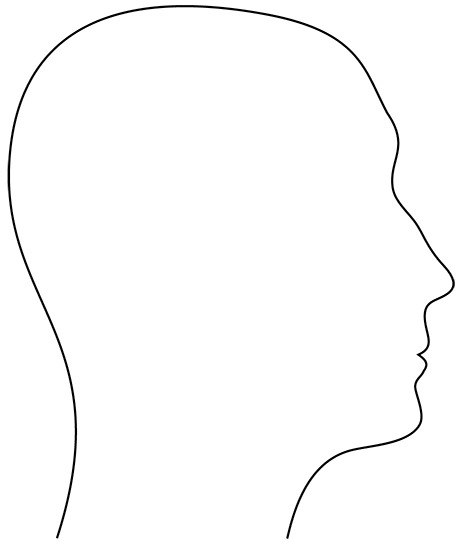
...becomes the job to be done for the advisor



Inside the Mind of the Anxious Human Seeking Confidence

The fundamental question about the job to be done

Advisor



“Can you provide me with a compelling reason to believe that, by working with you, the future I want is the future I’m going to get?”

Client



The Advisor's Task: Delivering an Institutional Standard of Care

"I get you...and I know how to help!"

Advisor

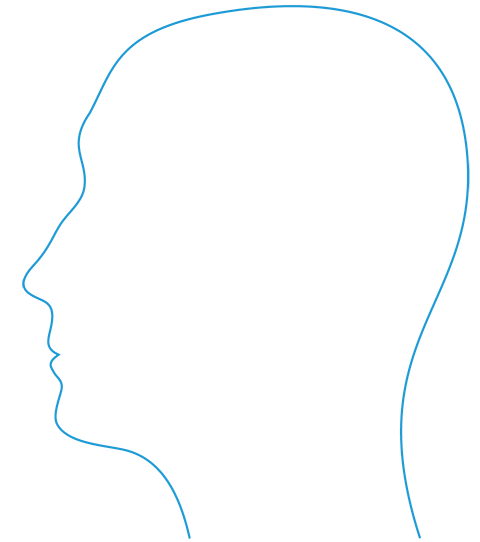
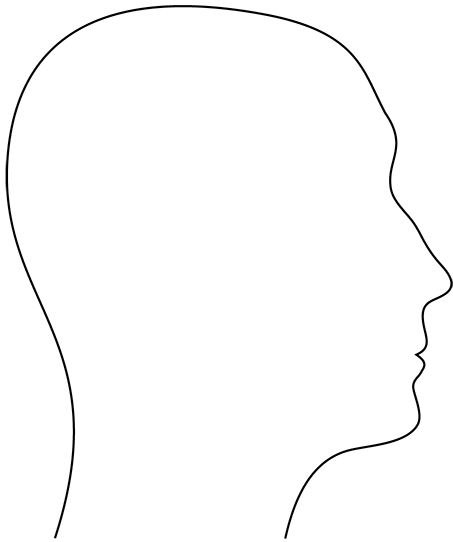
Client

"I get you..."

1. These are the things you want...
2. These are the things you are concerned about...

...and I know how to help!"

3. These are some other things you should be concerned about...
4. This is what we have built that will address all of these issues...
5. If we do this for you, this is how likely it is that the future you want will be the future you will get...

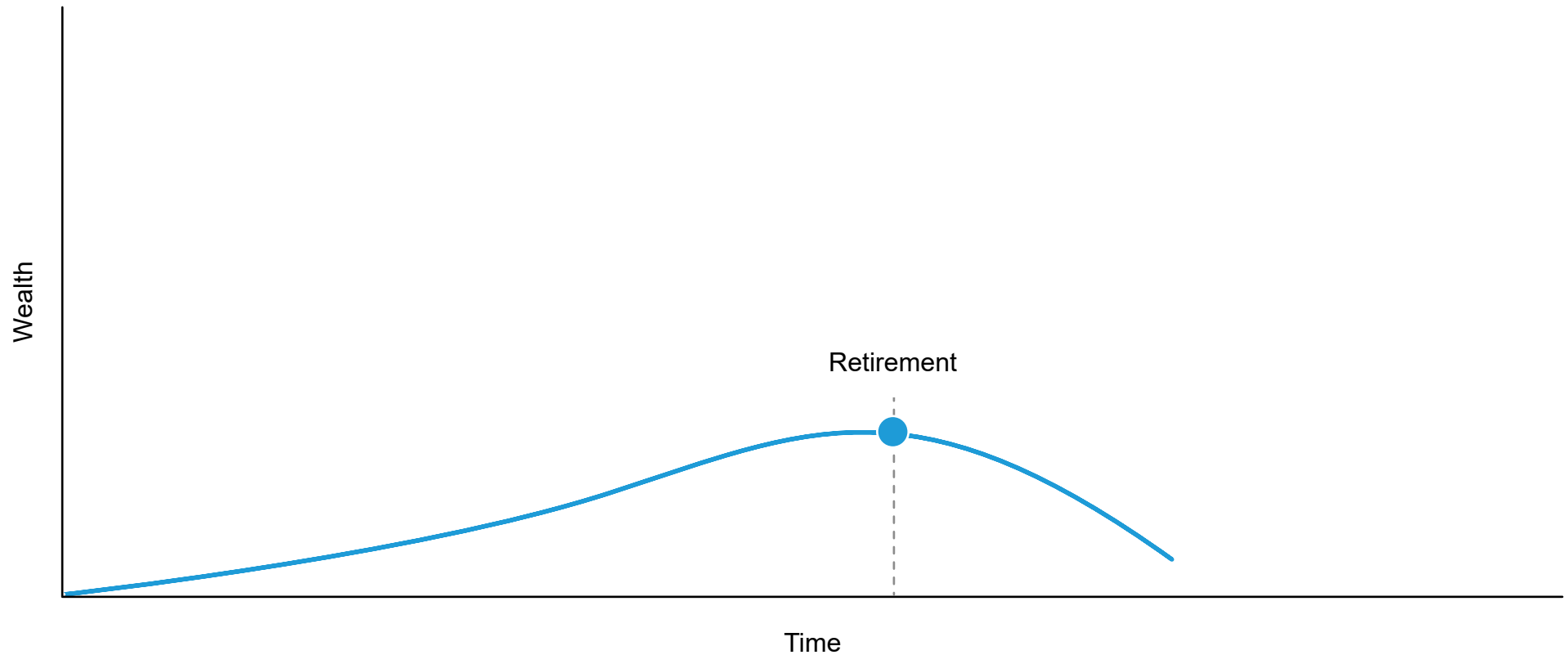


The job to be done depends on where the client is on his emotional journey.



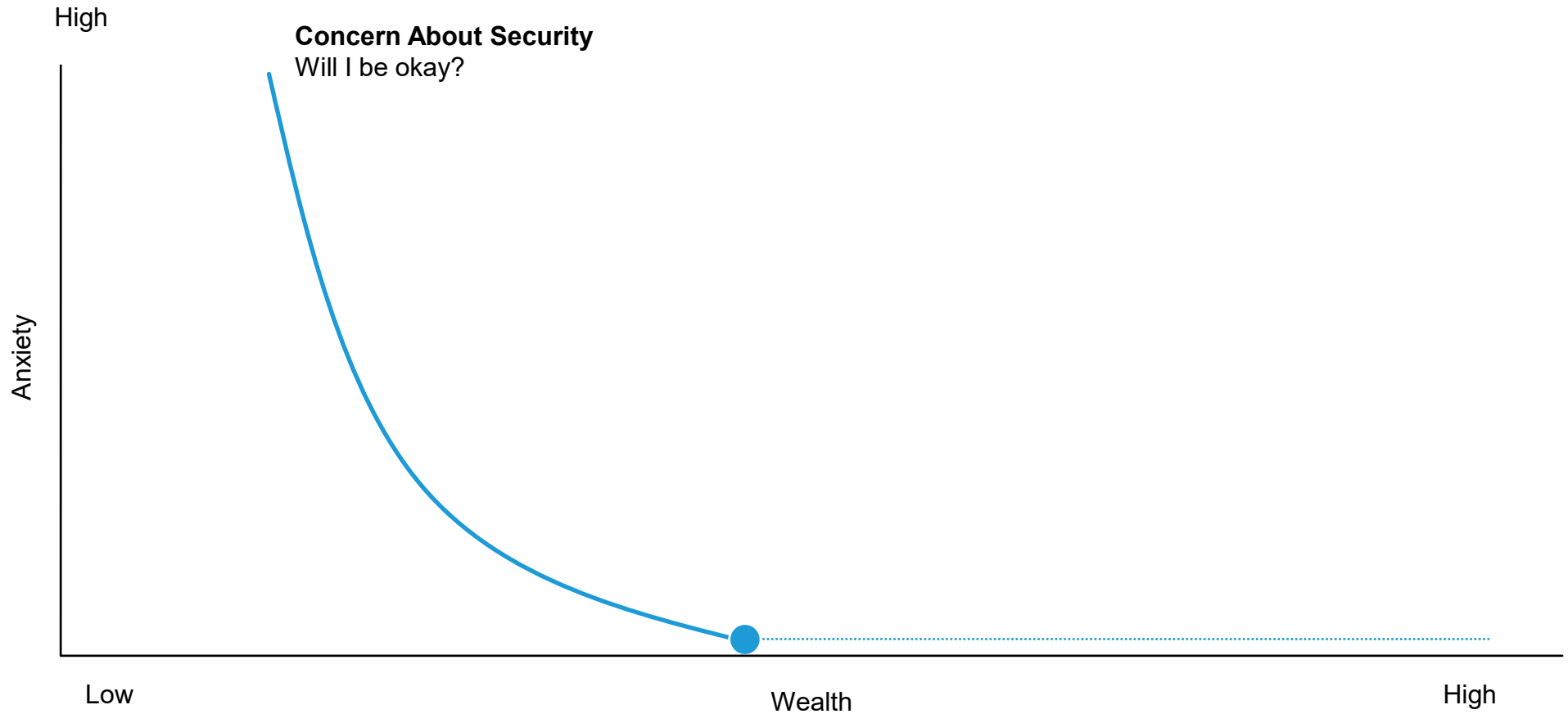
The Financial Journey of the Mass-Affluent Client

Budget, save, invest and hope for the best



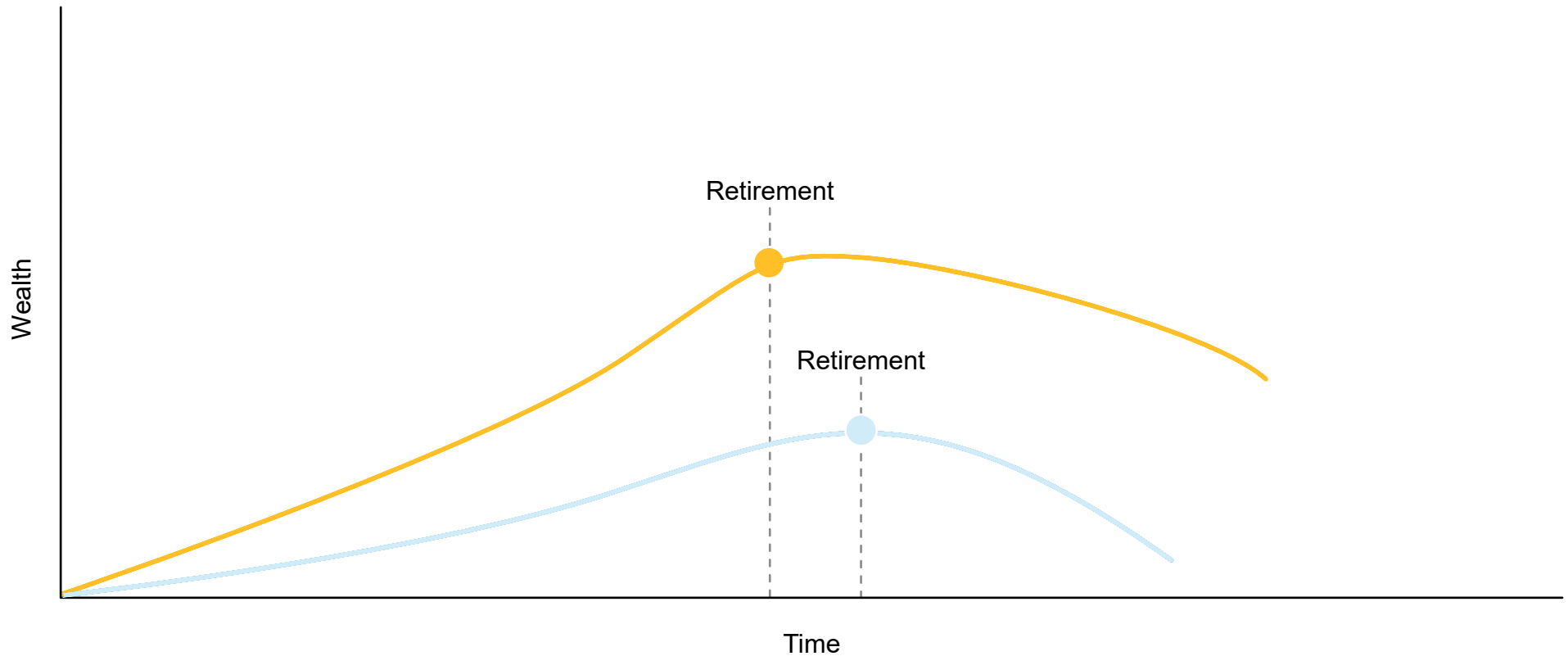
The Emotional Journey of the Mass-Affluent Client

The advisor's job to be done: grow the money!



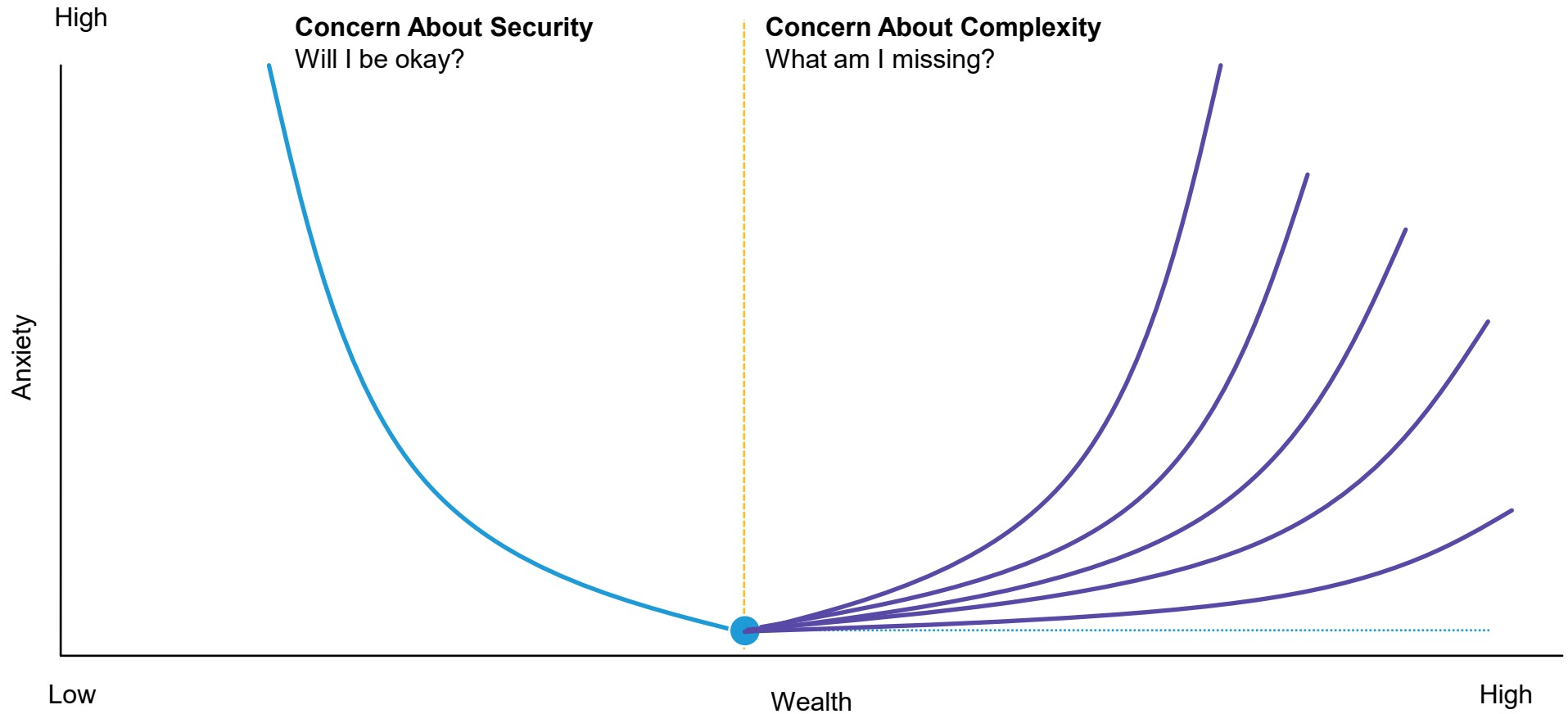
The Financial Journey of the High-Net-Worth Client

Success, financial breakthrough and a complicated financial life



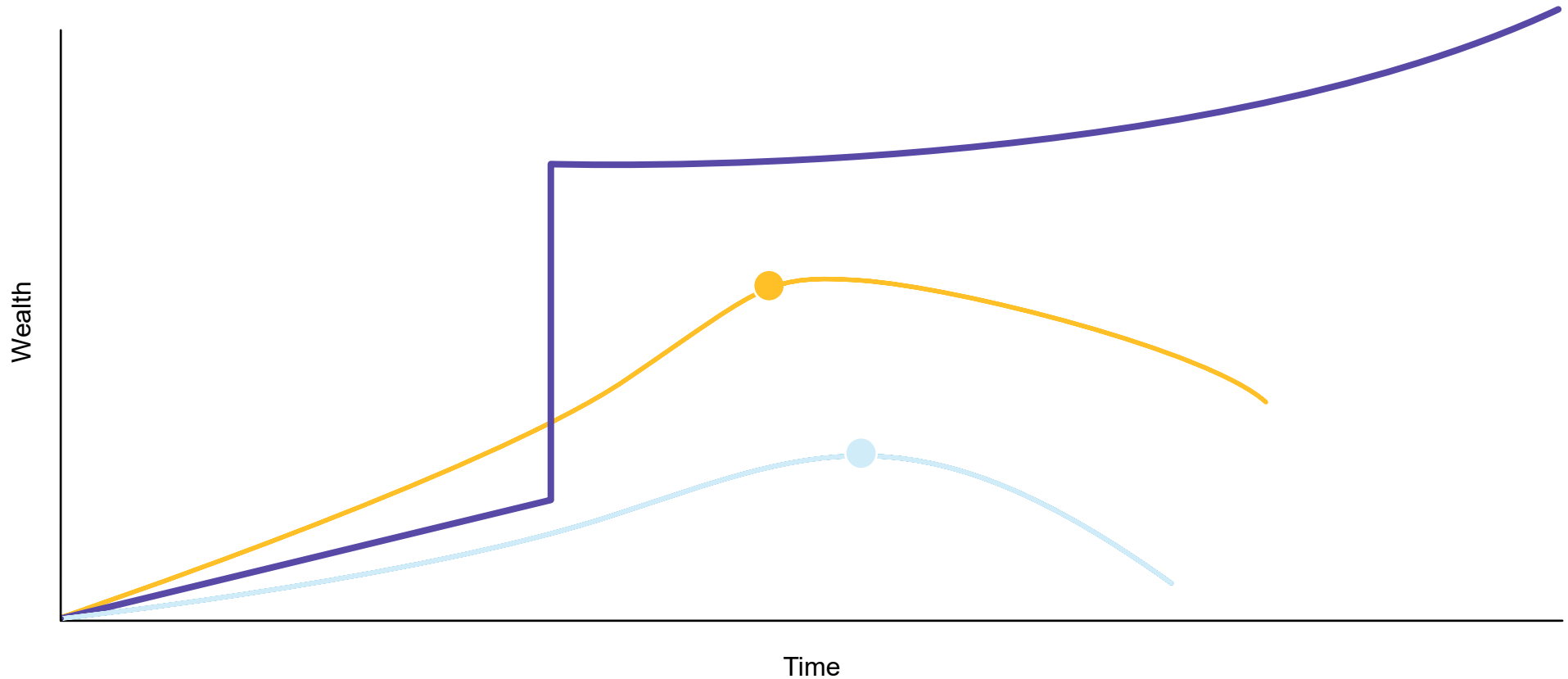
The Emotional Journey of the High-Net-Worth Client

The advisor's job to be done: make sure that nothing is missing!



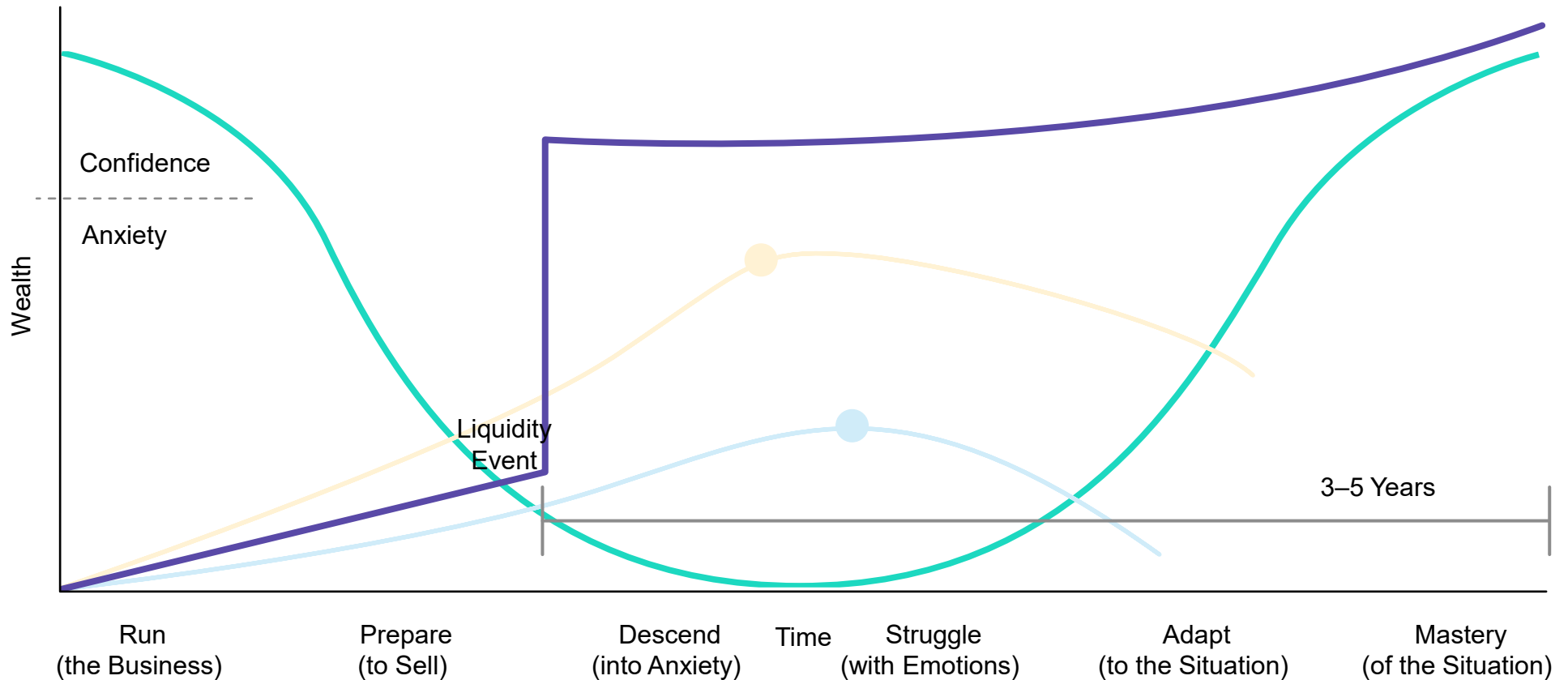
The Financial Journey of the Ultra-High-Net-Worth (UHNW) Client

Explosive acceleration and a redefinition of identity



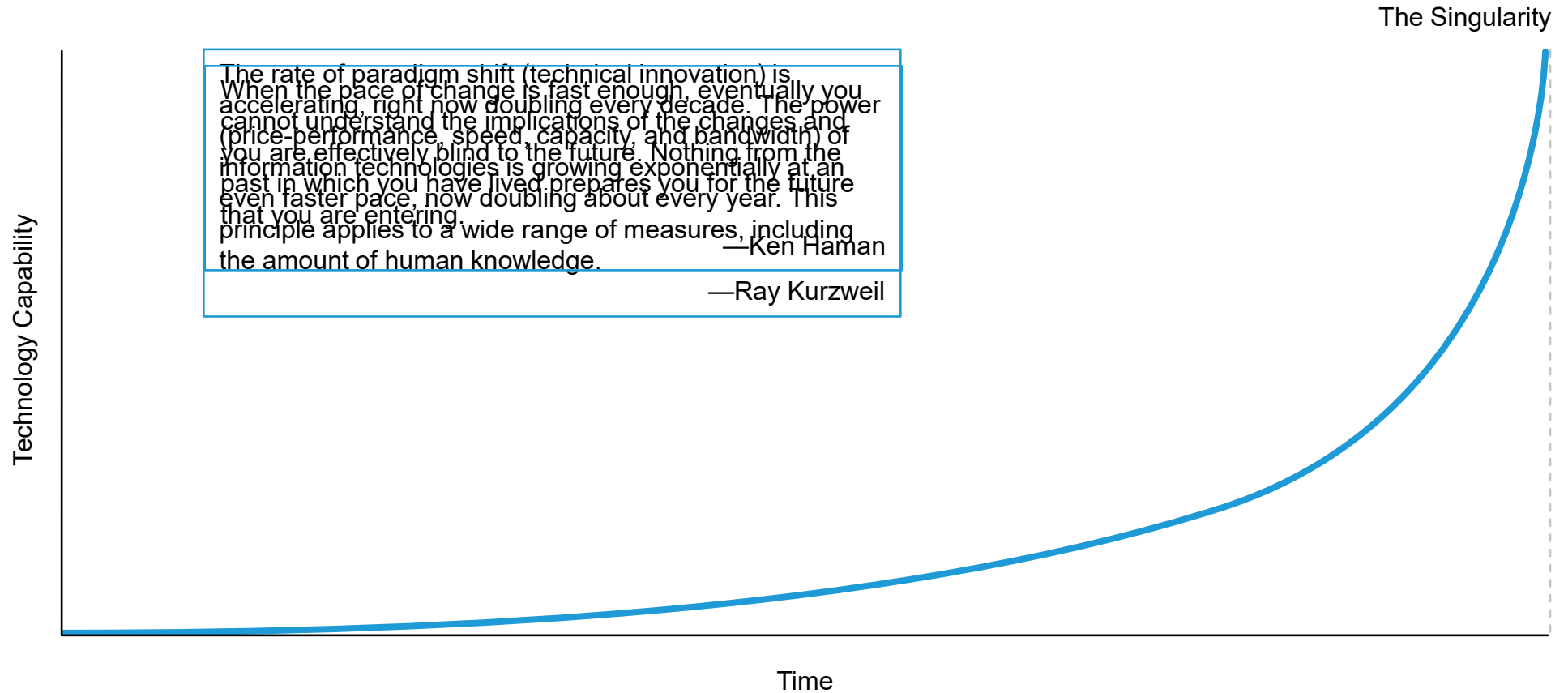
The Emotional Journey of the UHNW Client

The advisor's job to be done: delivering to the point of need



The Pace of Change in Our World Is Accelerating Dramatically

Ray Kurzweil, *The Singularity Is Near*



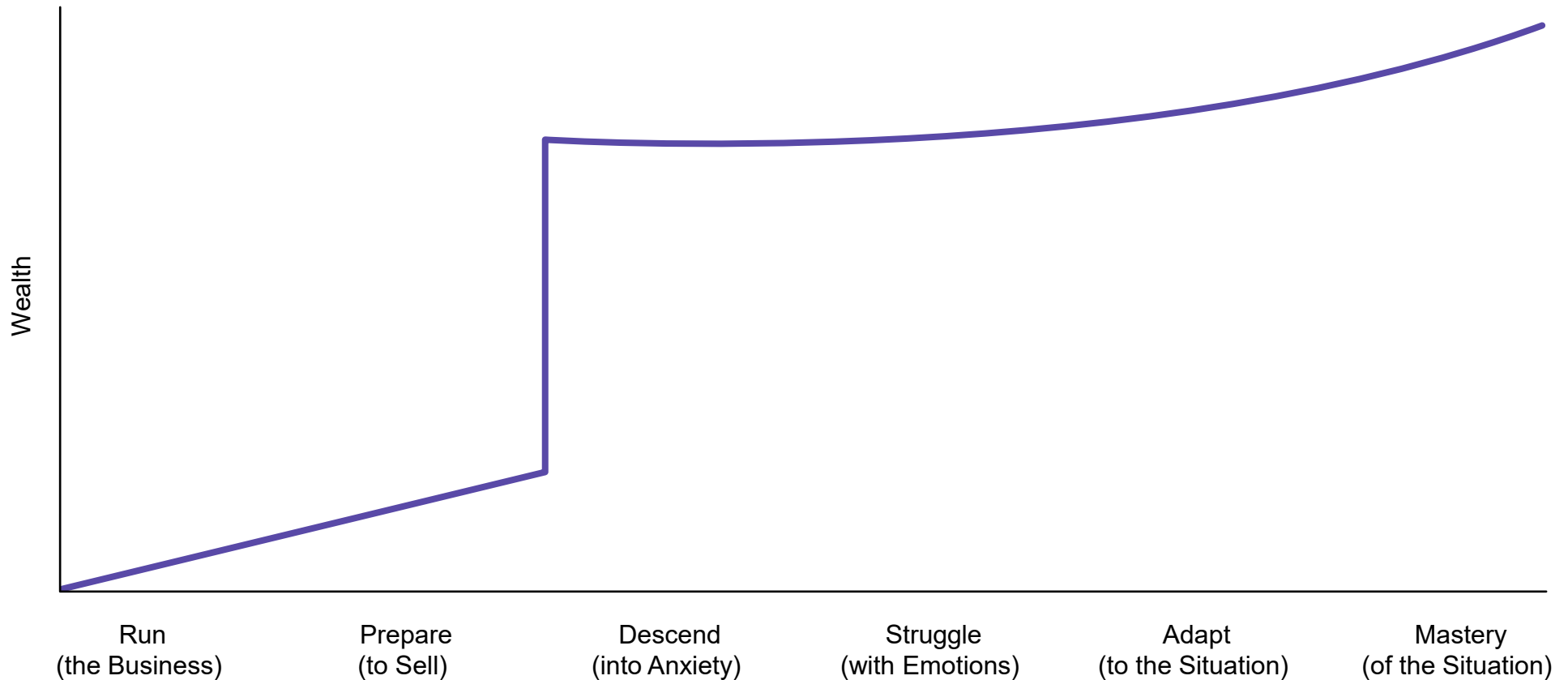
Source: Ray Kurzweil, *The Singularity Is Near* (2005), and AB



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

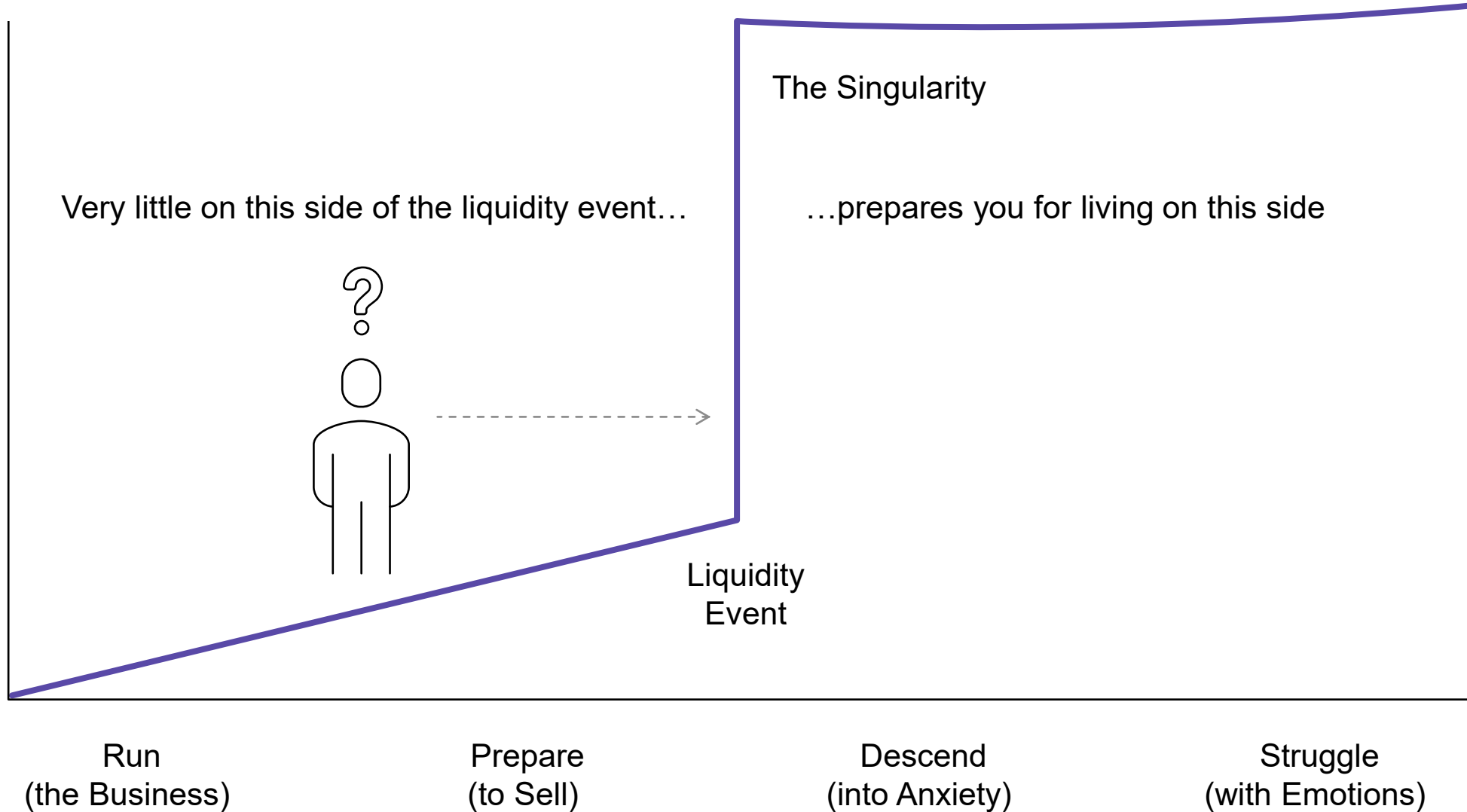
Key Concept: The Liquidity Event as a Singularity

A change so significant that it redefines the life of the person experiencing it



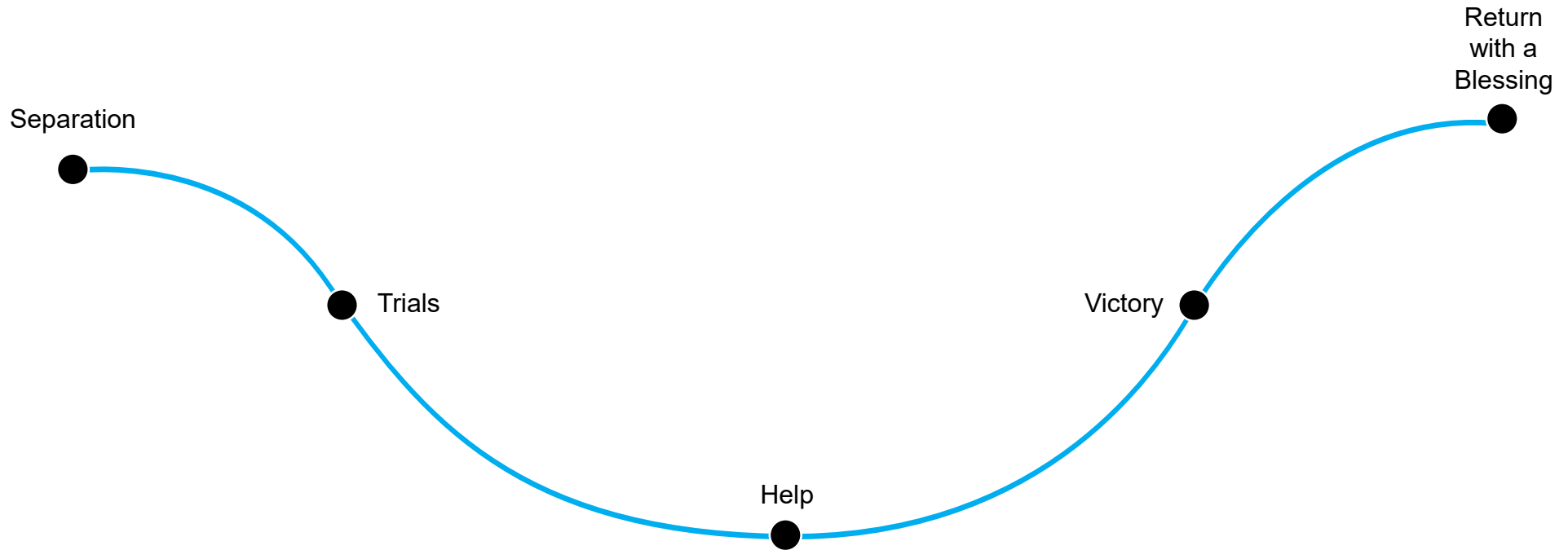
Key Concept: The Liquidity Event as a Singularity

A change so significant that it redefines the life of the person experiencing it



Big Changes Are Painful: A Universal Human Experience

Joseph Campbell, *The Hero with a Thousand Faces*



The Monomyth is revealed as a story in all human cultures and religions:
separate, descend, struggle and return.

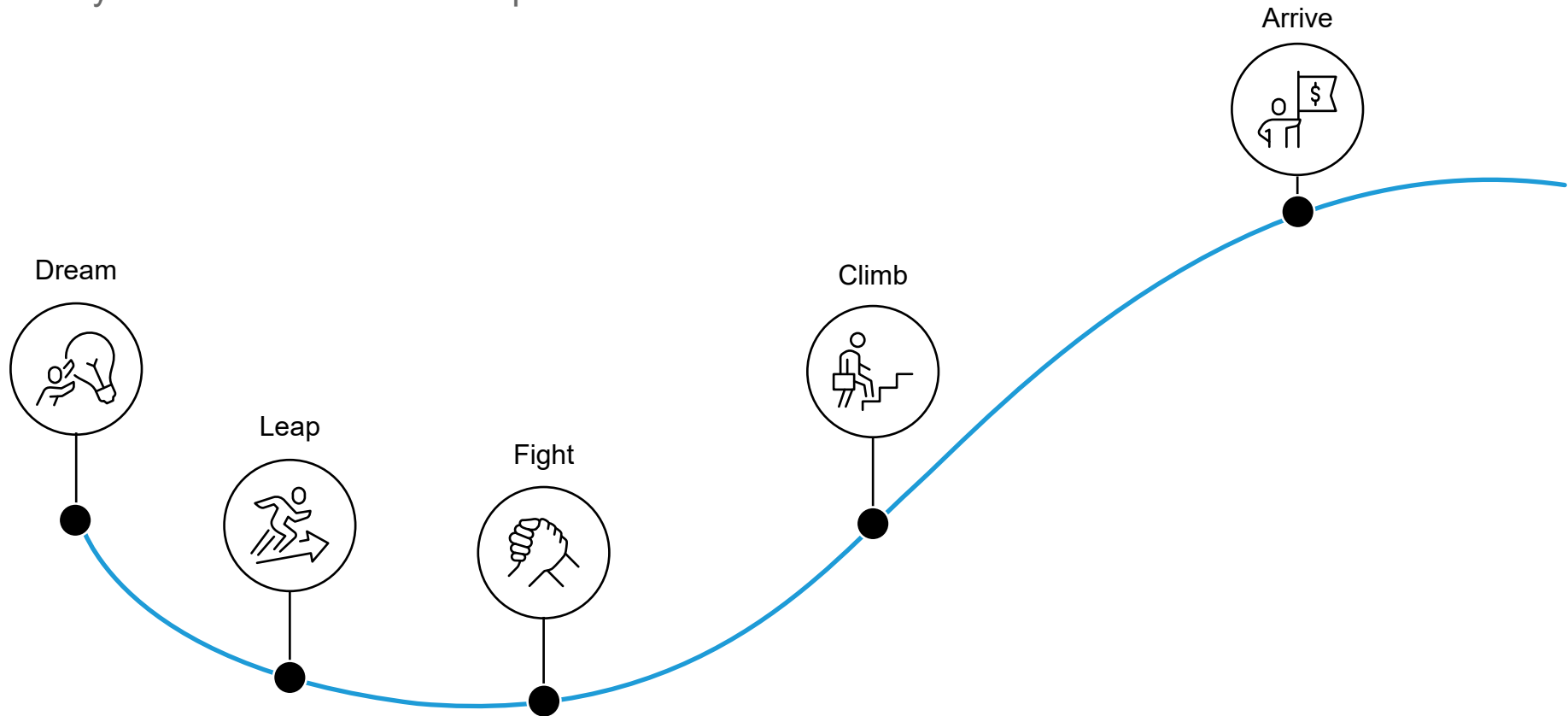
Source: Joseph Campbell, *The Hero with a Thousand Faces* (2008)



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

A Process of Organizational Growth and Transformation

Nancy Duarte: “the venture scape”



Duarte adapted Campbell's curve to describe the process of advancement and transformation.

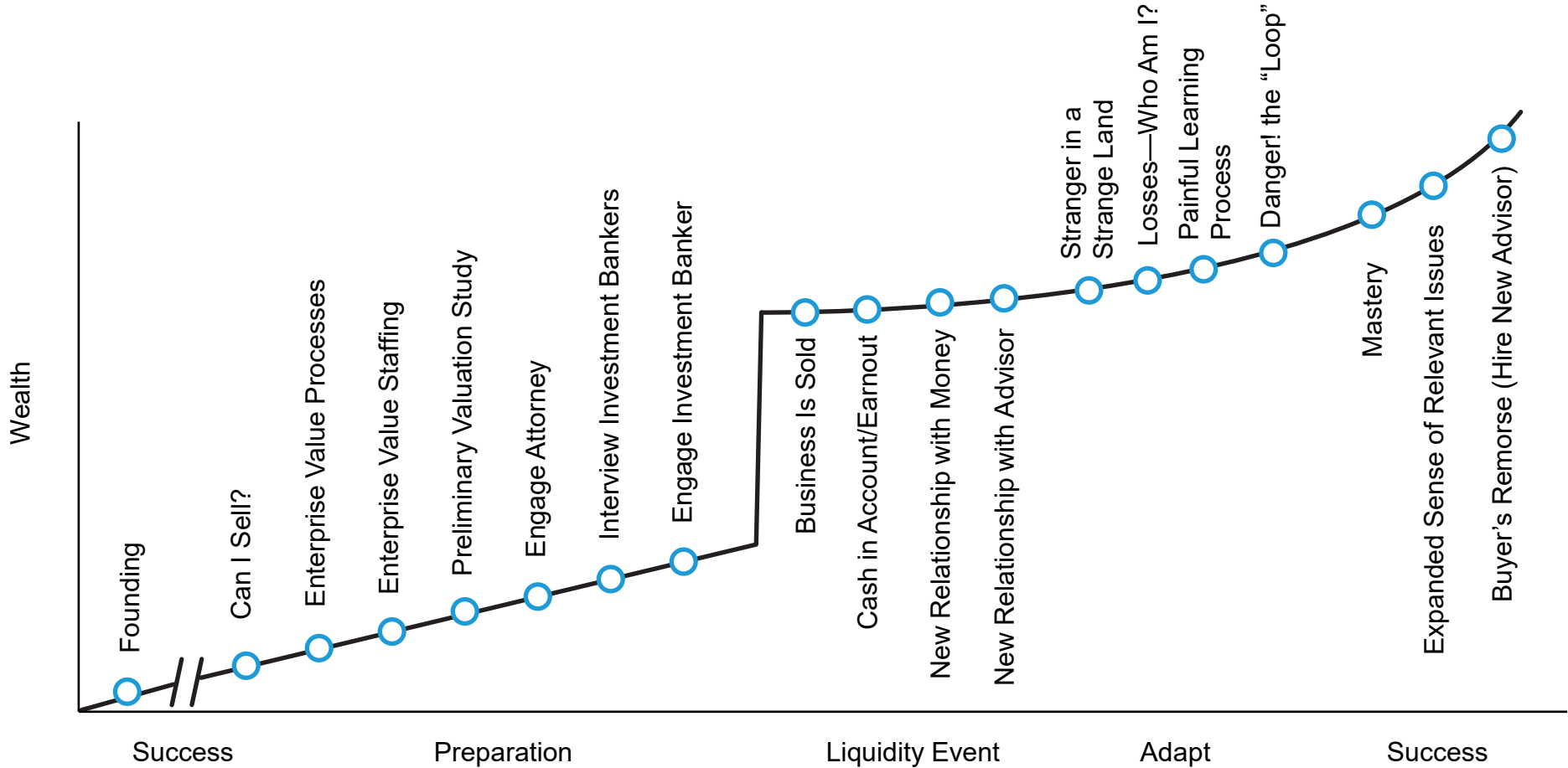
Source: Nancy Duarte and Patti Sanchez, *Illuminate: Ignite Change Through Speeches, Stories, Ceremonies, and Symbols* (2016)



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

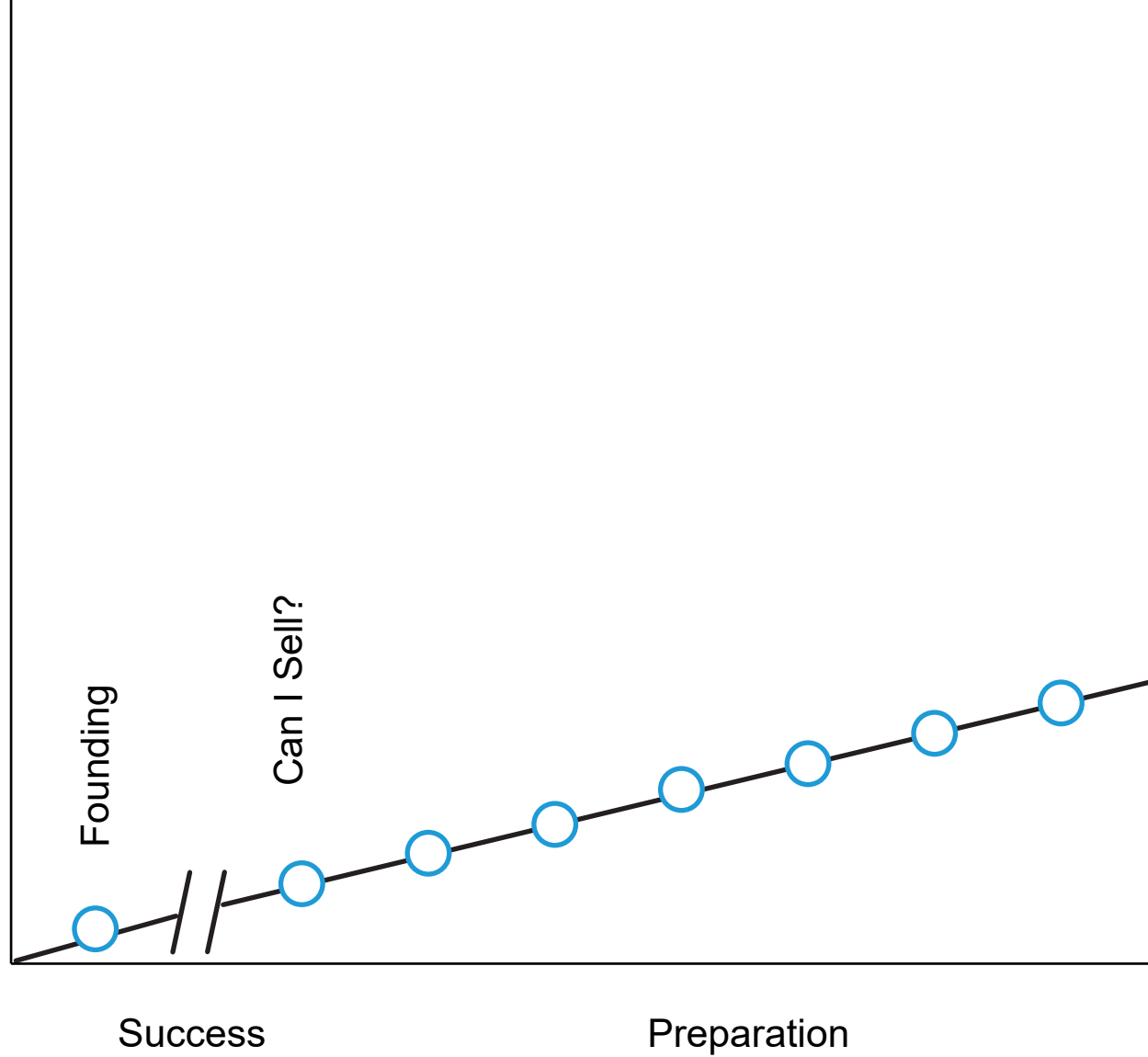
How the Financial Journey of the UHNW Client Impacts Emotions

There are many important steps on the journey



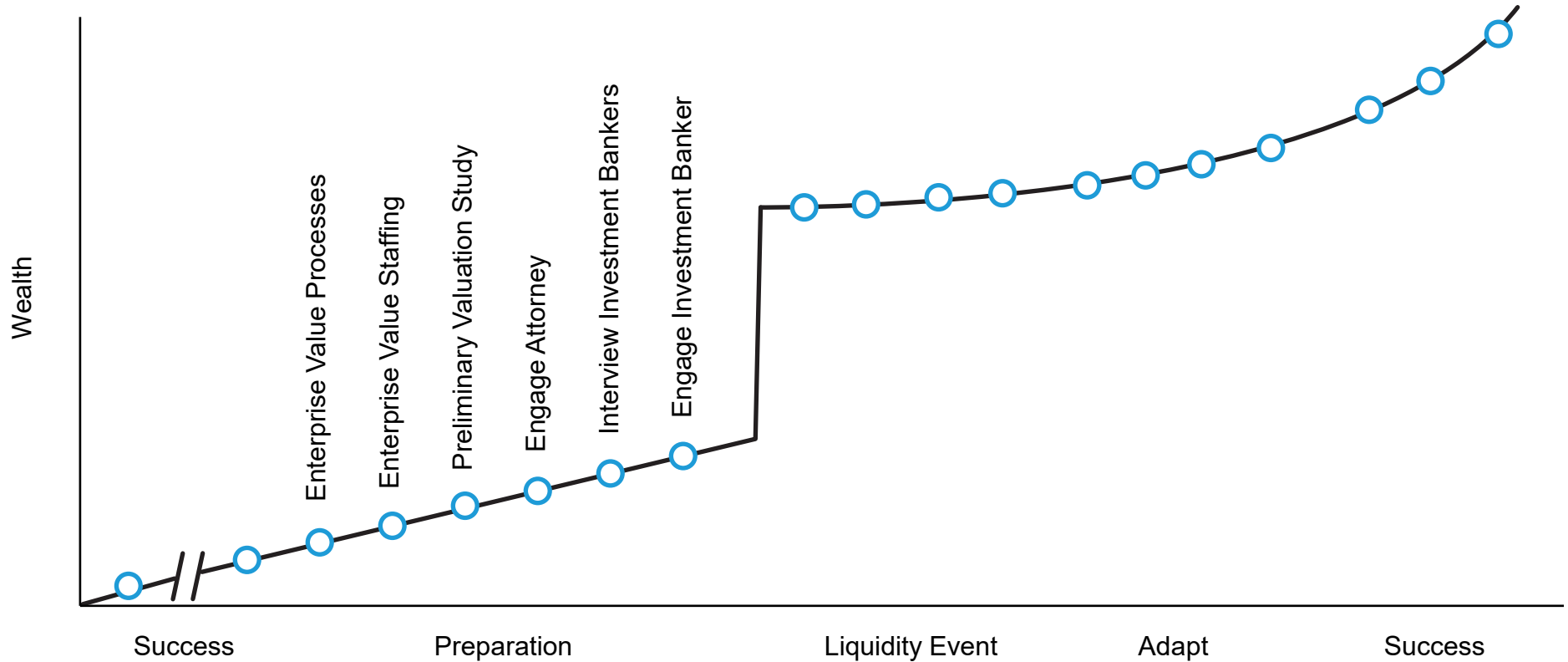
For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

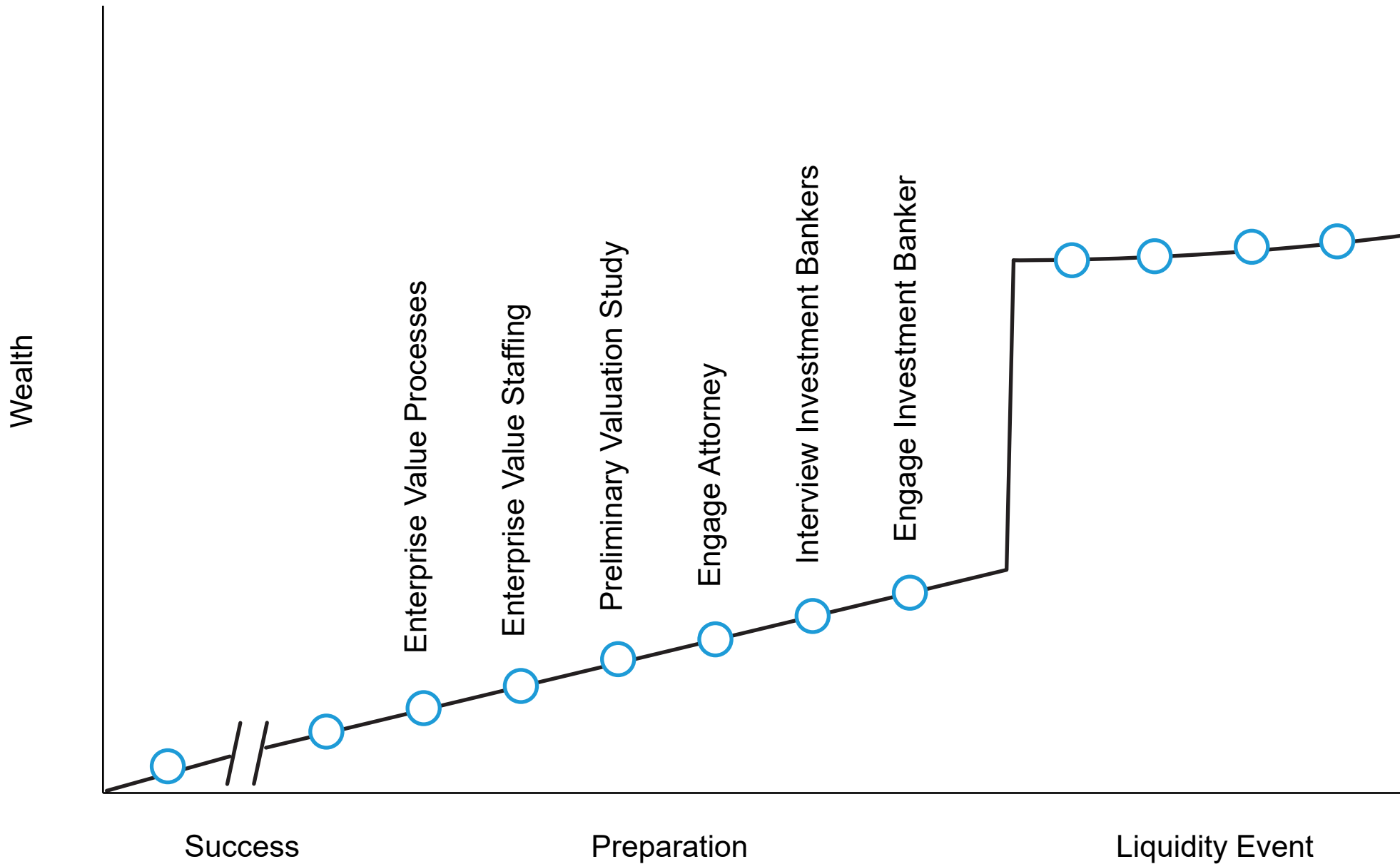
Wealth



How the Financial Journey of the UHNW Client Impacts Emotions

There are many important steps on the journey



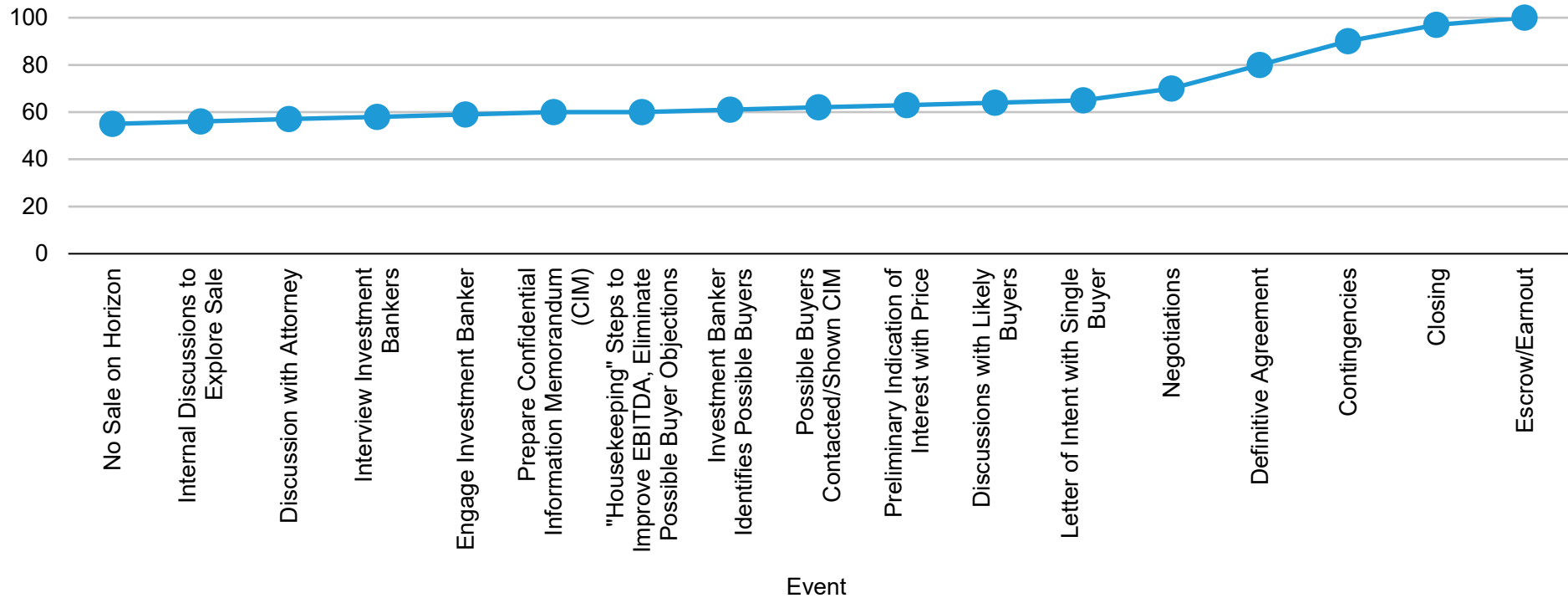


Change in Value from Beginning to End of Sale

There are many technical steps in the Prepare to Sell phase; all have potential consequences

Value as a Percent of Takeover Price

Approximate percent



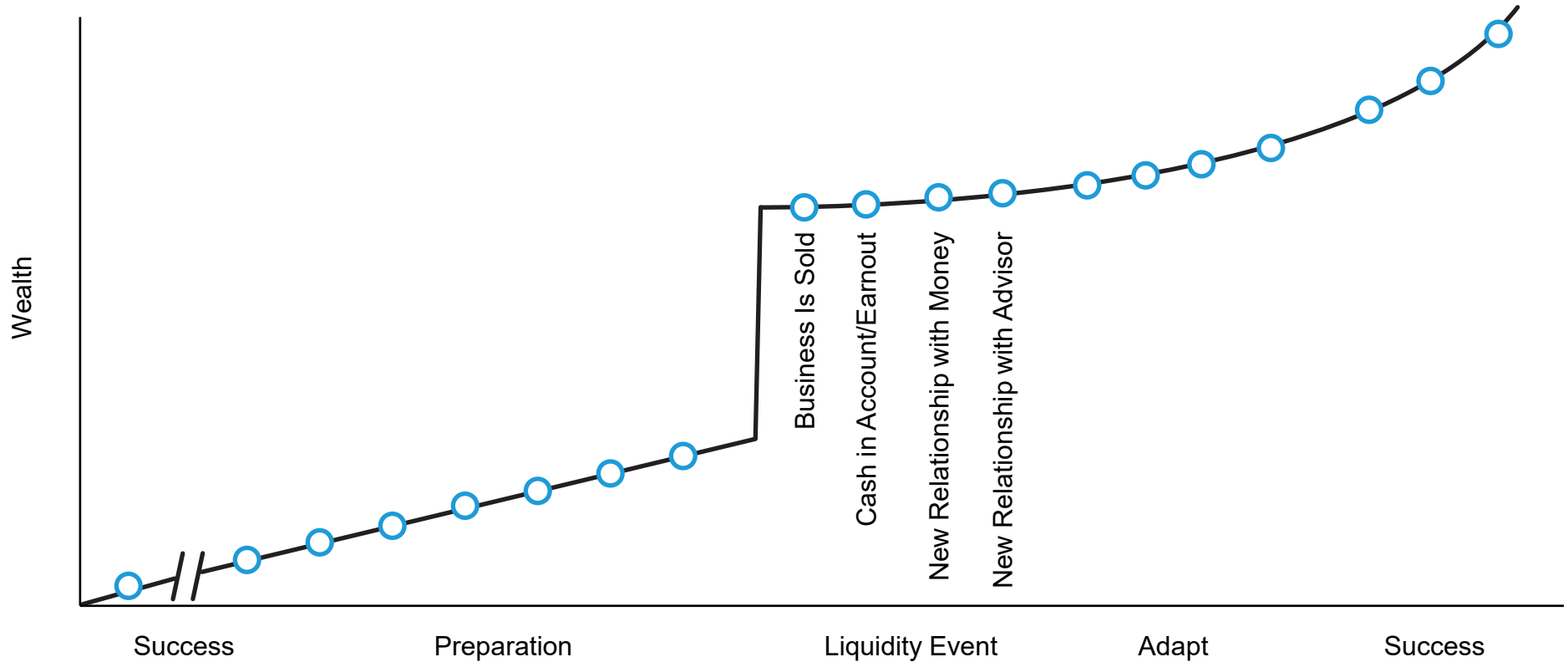
Source: Courtesy of and used with permission of Thomas J. Handler, J.D., P.C., Chairman, Advanced Planning & Family Office Practice Group, thandler@handlerthayer.com

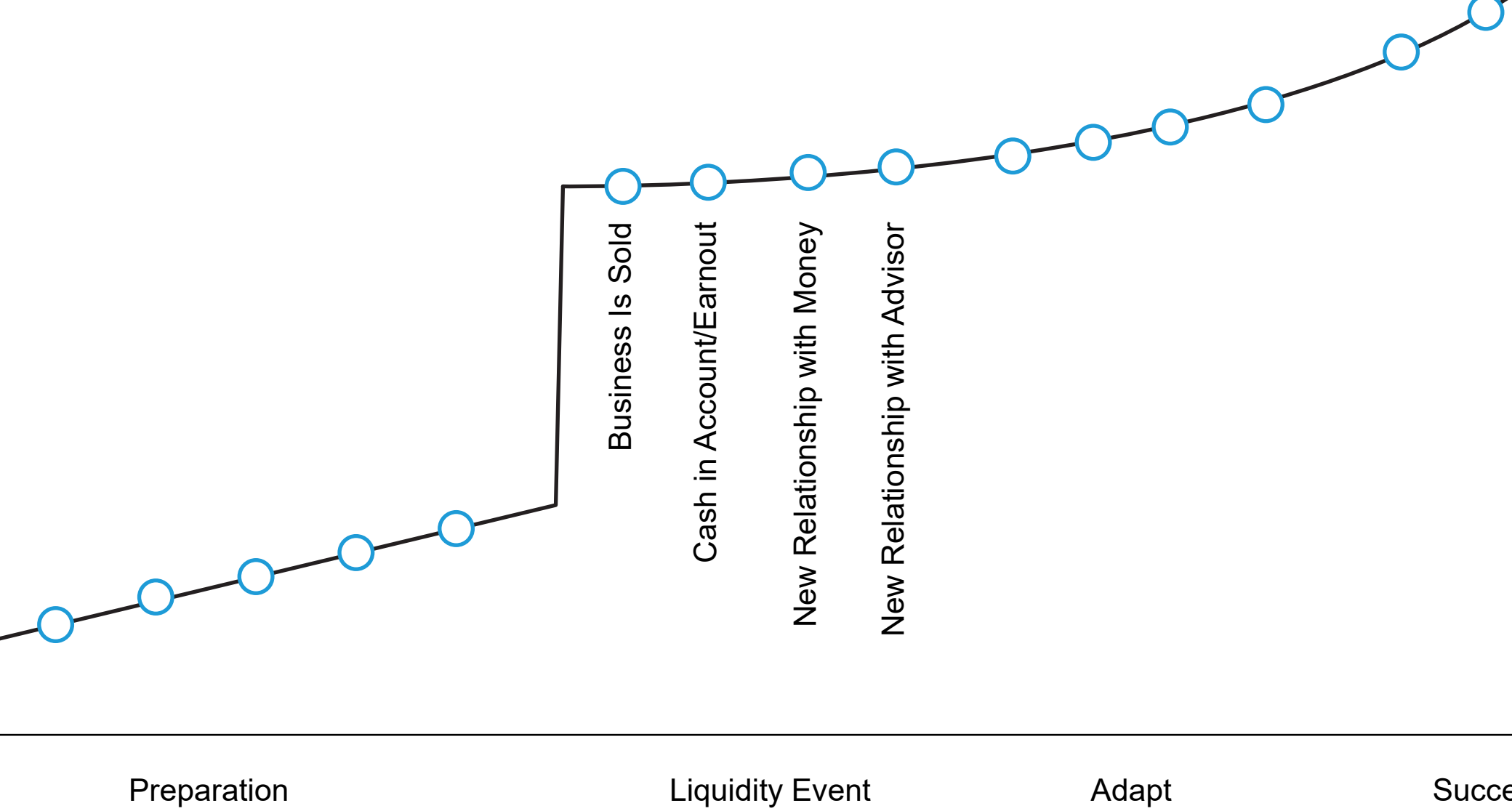


For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

How the Financial Journey of the UHNW Client Impacts Emotions

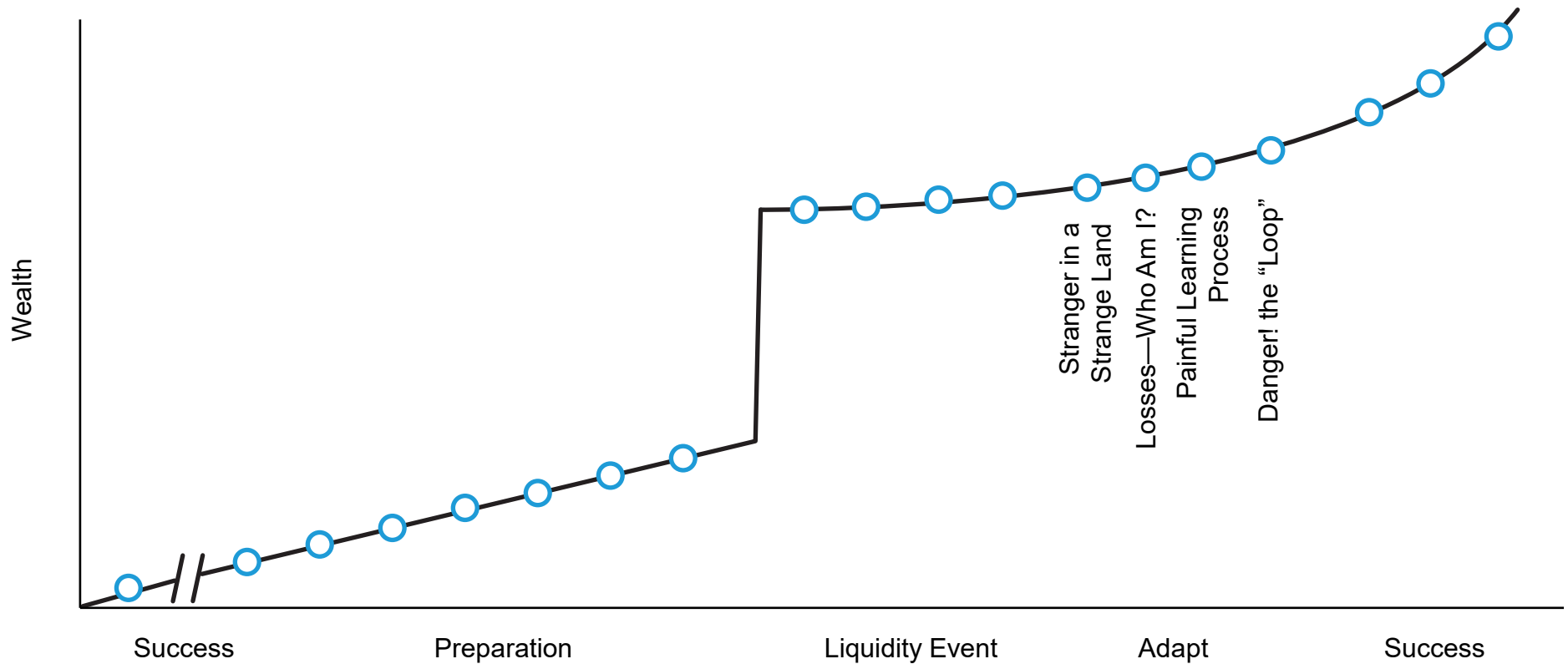
There are many important steps on the journey

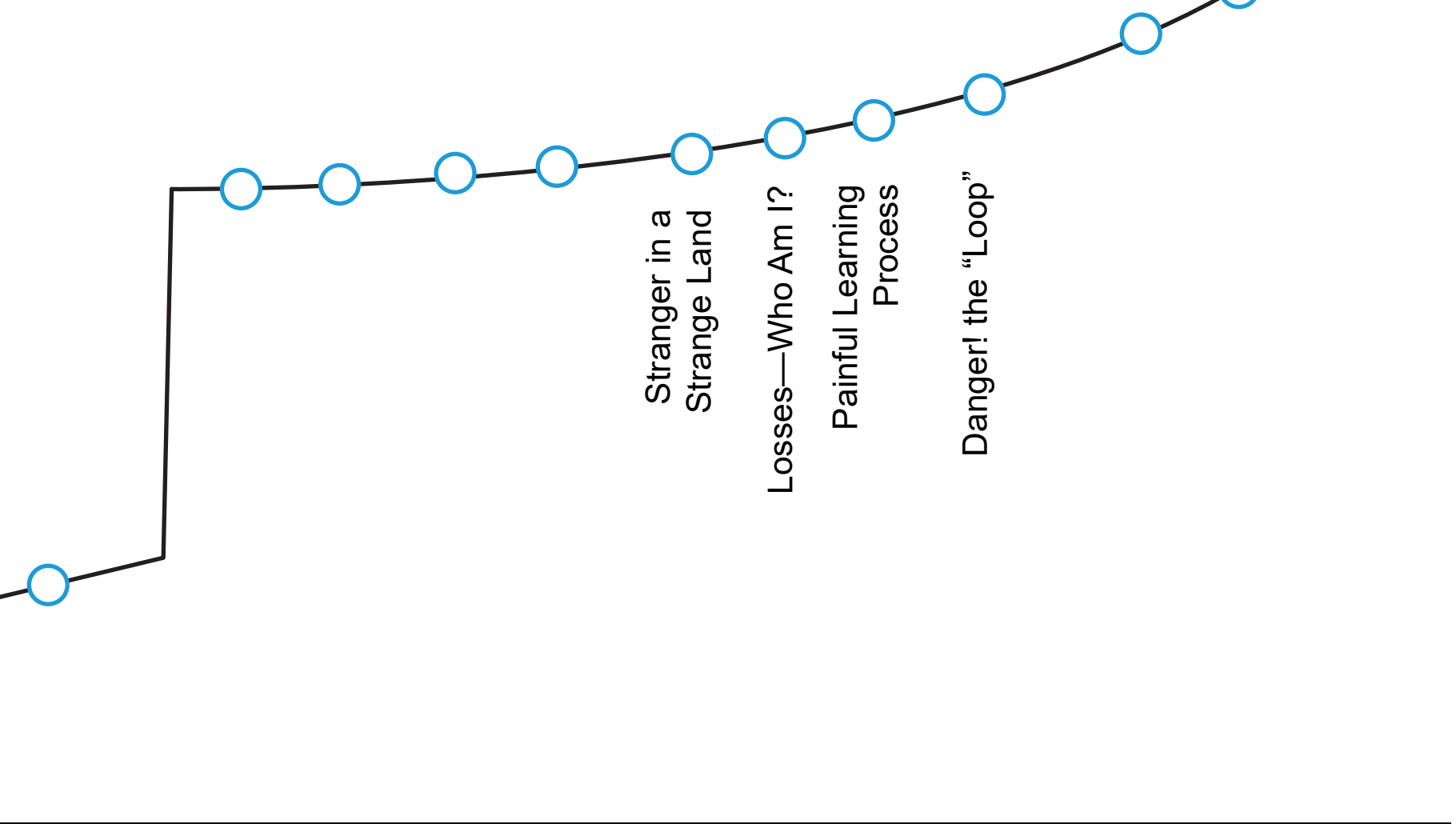




How the Financial Journey of the UHNW Client Impacts Emotions

There are many important steps on the journey





Liquidity Event

Adapt

Success

Stranger in a
Strange Land

Losses—Who Am I?

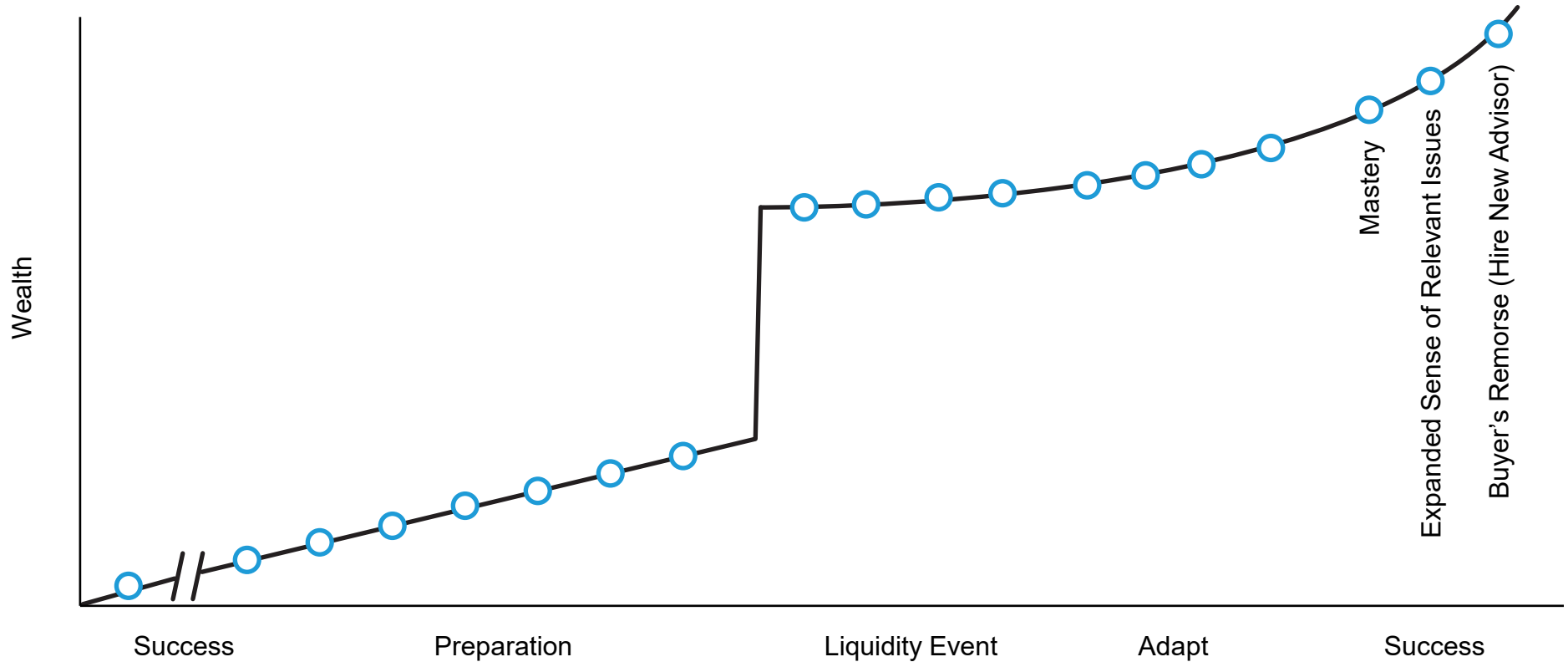
Painful Learning
Process

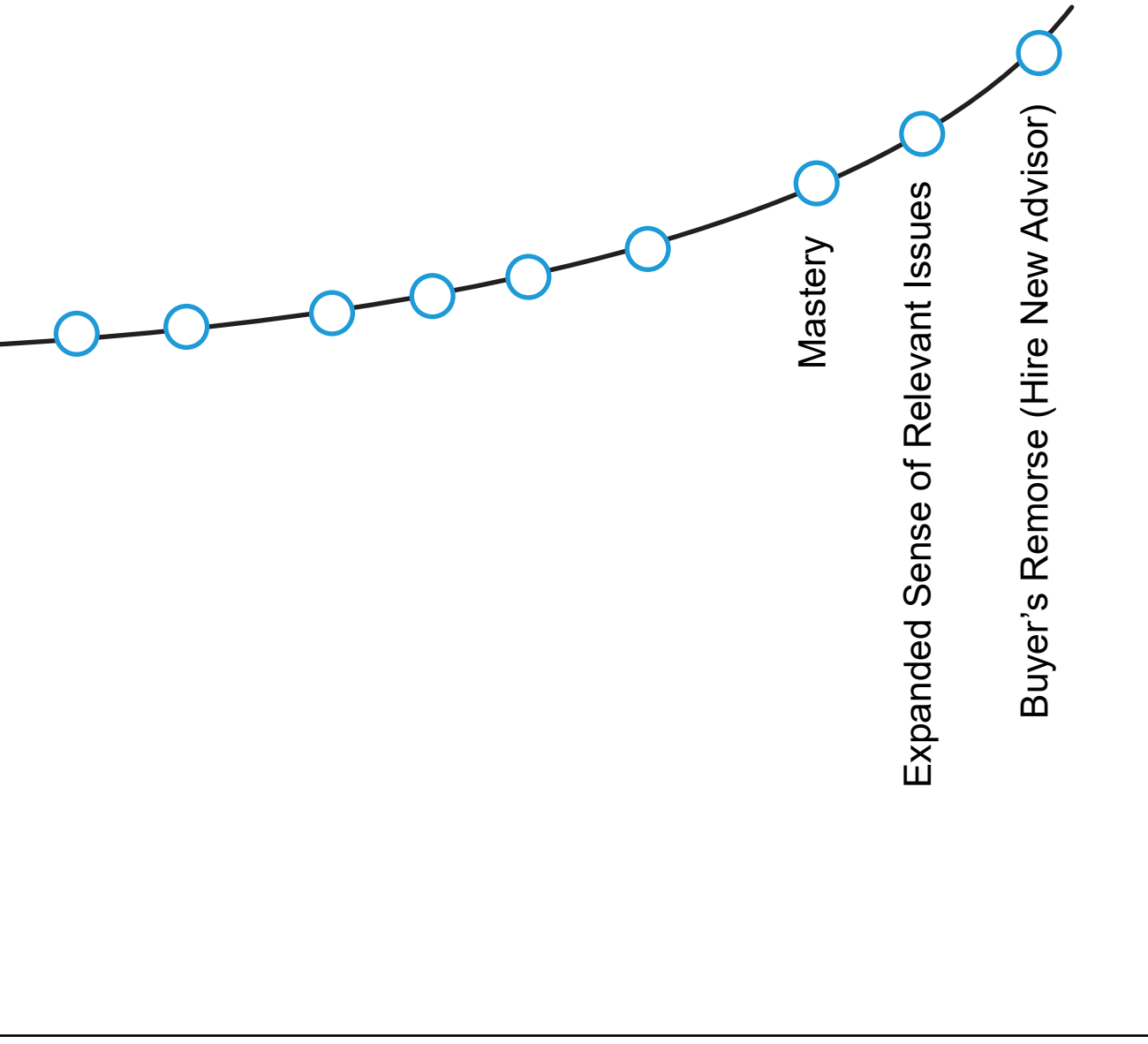
Danger! the “Loop”



How the Financial Journey of the UHNW Client Impacts Emotions

There are many important steps on the journey





ility Event

Adapt

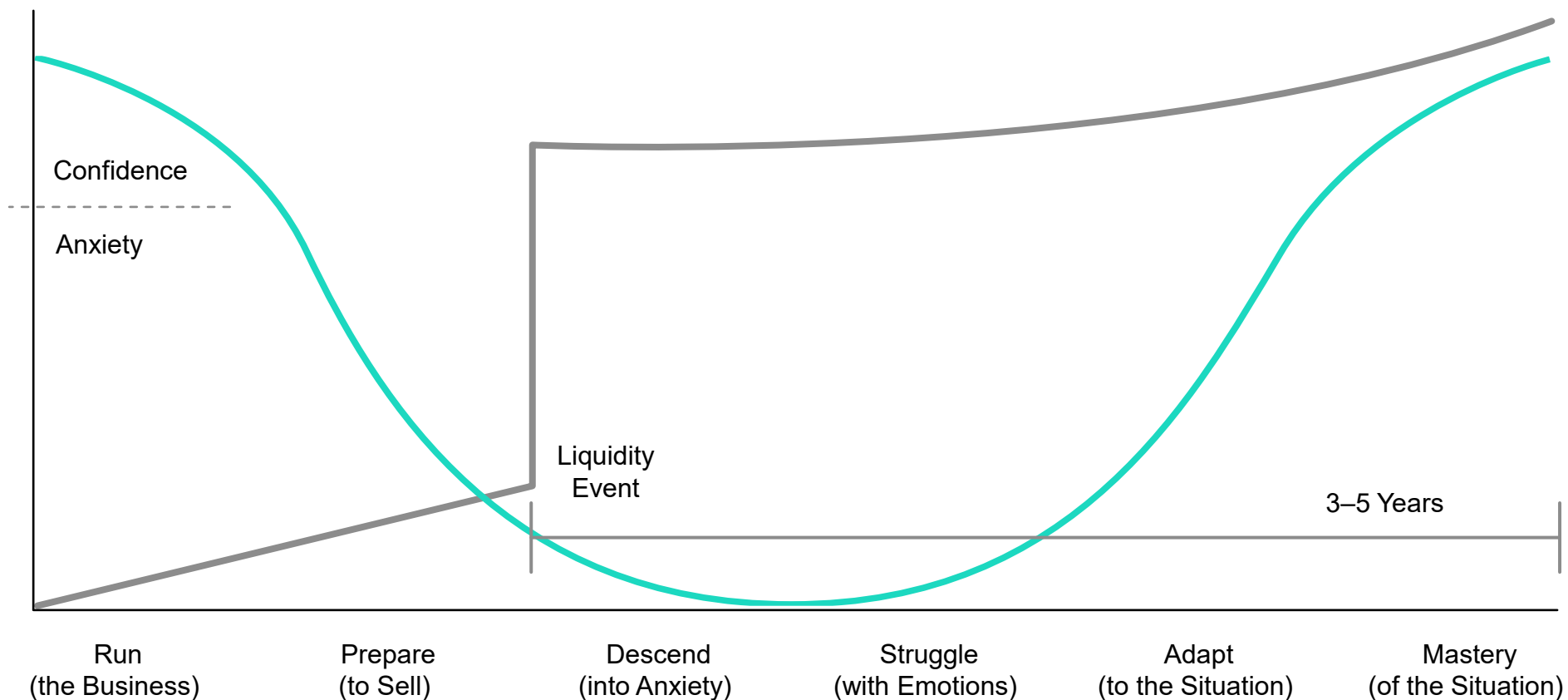
Success



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

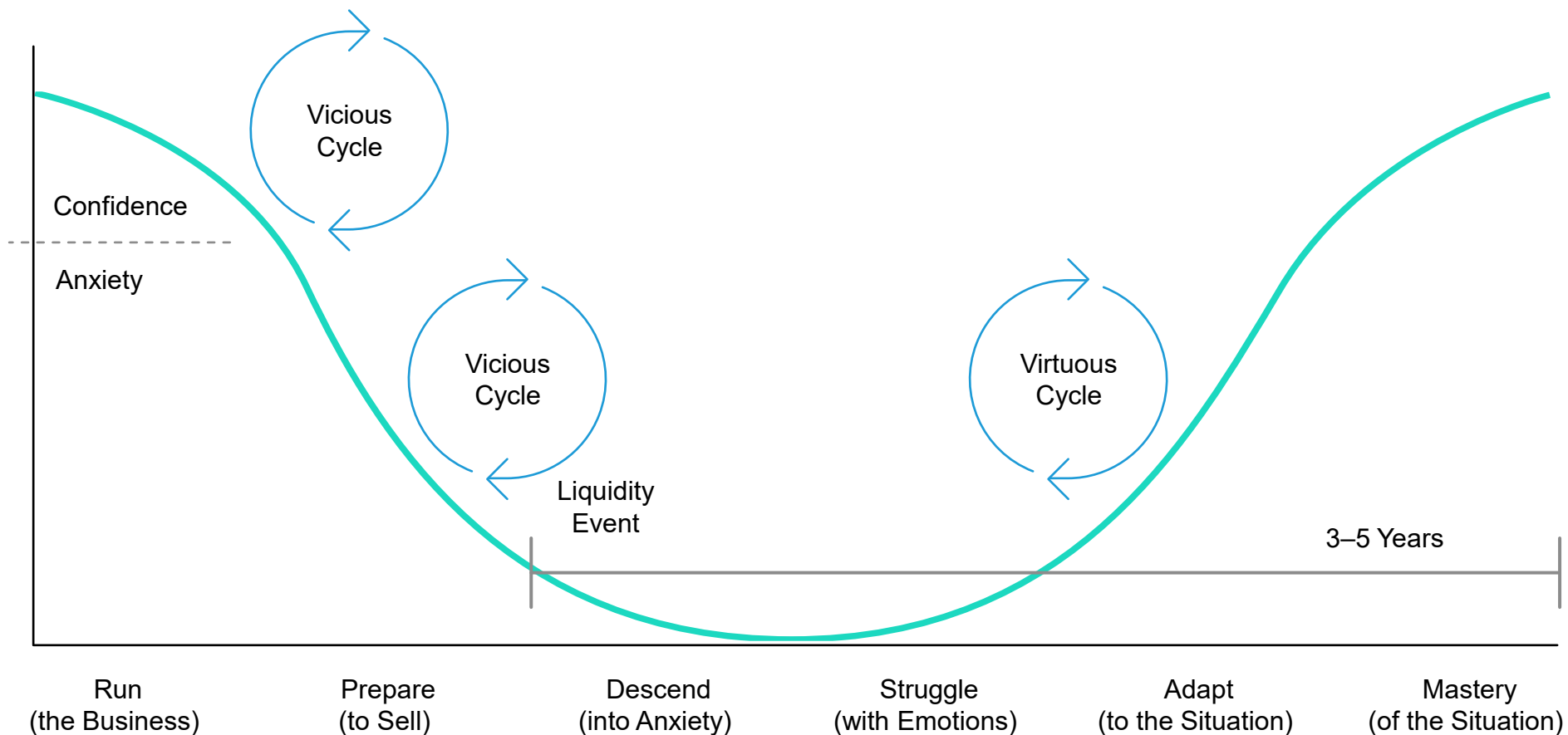
The Emotional Journey of the UHNW Client

The advisor's job to be done: delivering to the point of need



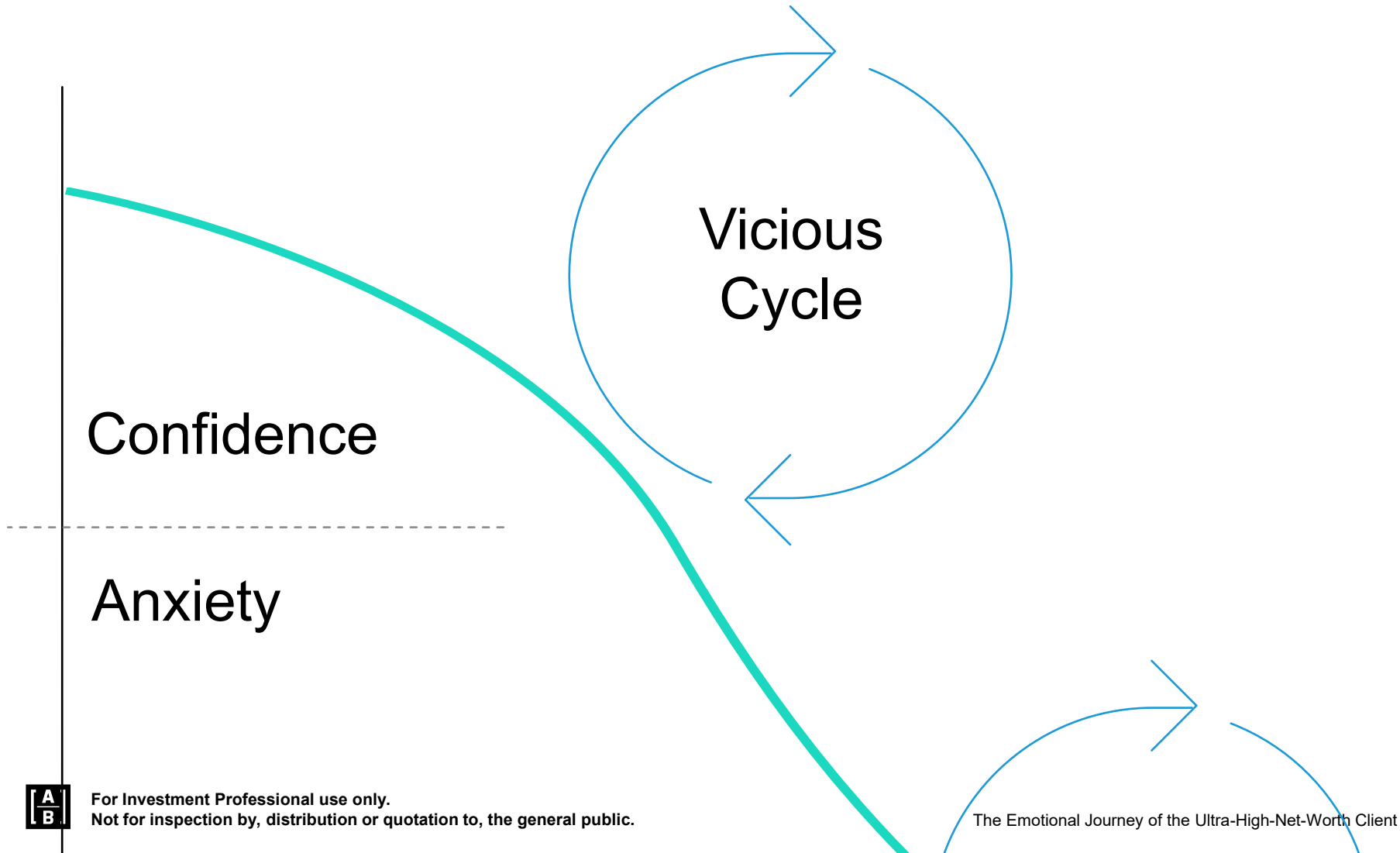
The Emotional Journey: Taking a Closer Look

A liquidity event has many predictable impacts and implications



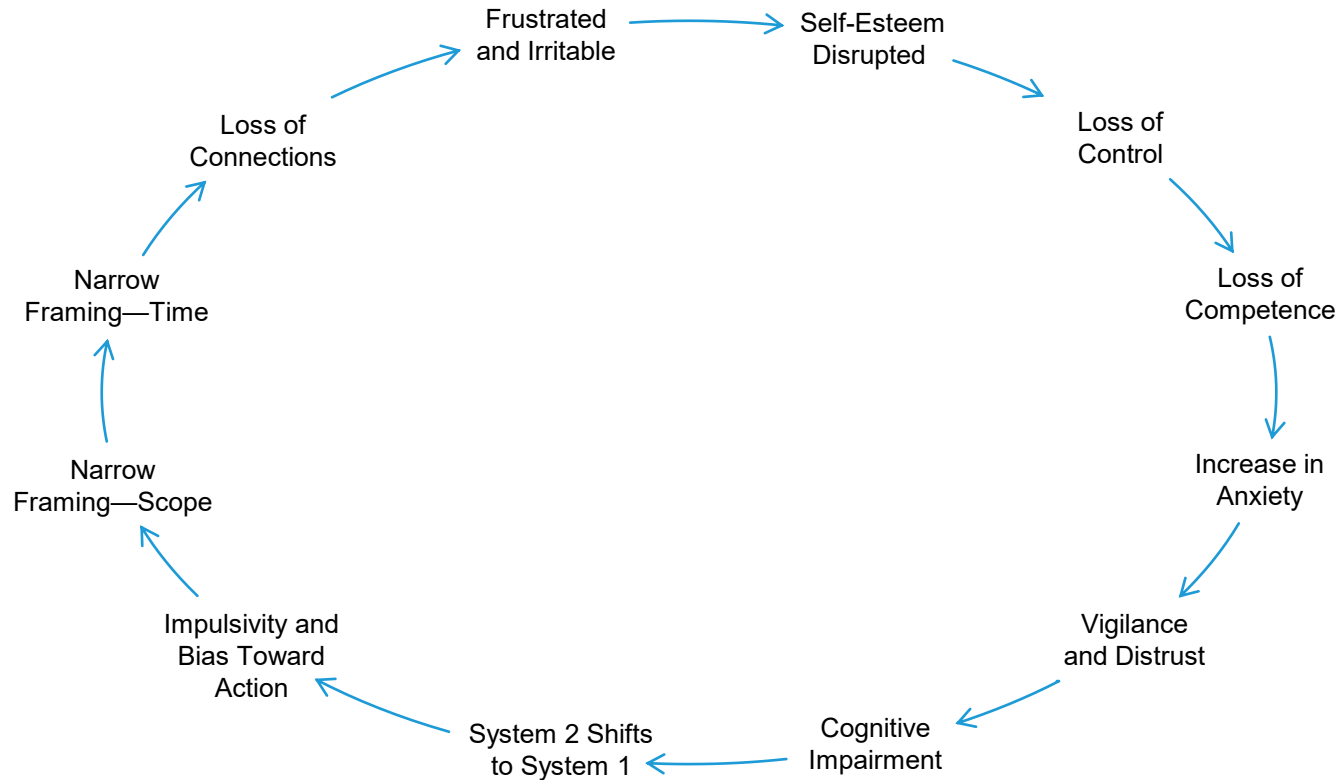
Preparing to Sell Starts a Vicious Cycle of Loss

The highest level of self-esteem is achieved while running the business



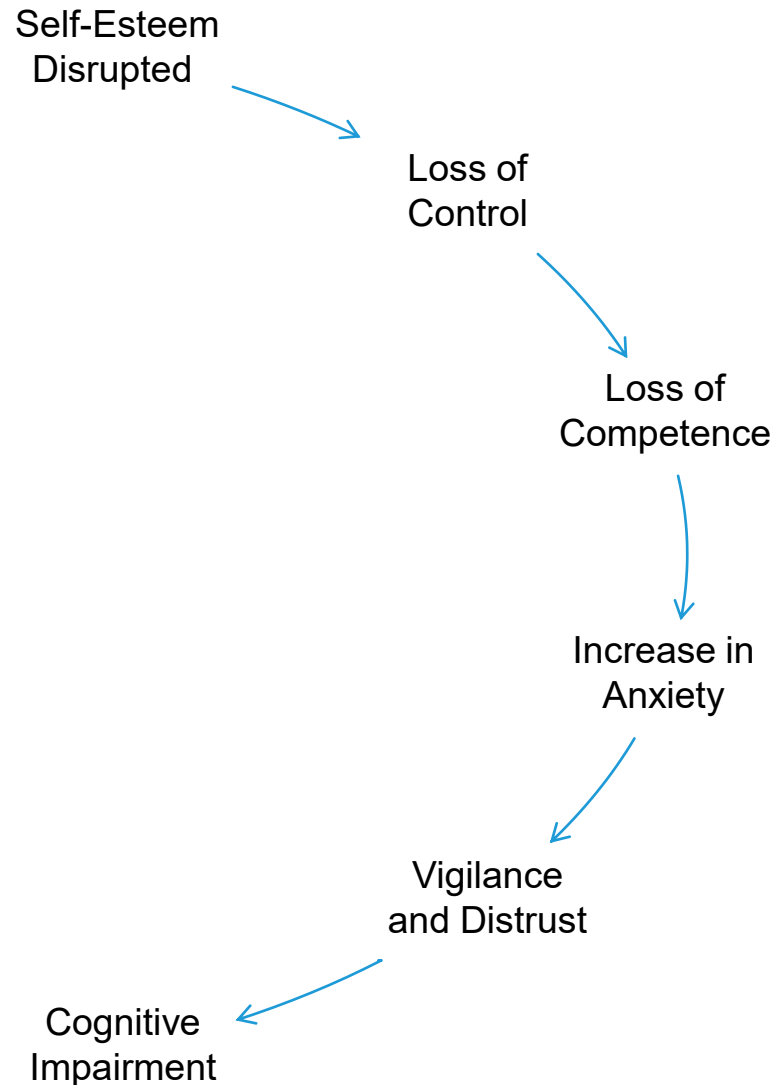
Preparing to Sell Kicks Off a Vicious Cycle

Painful losses lead to self-protective, emotional reactions



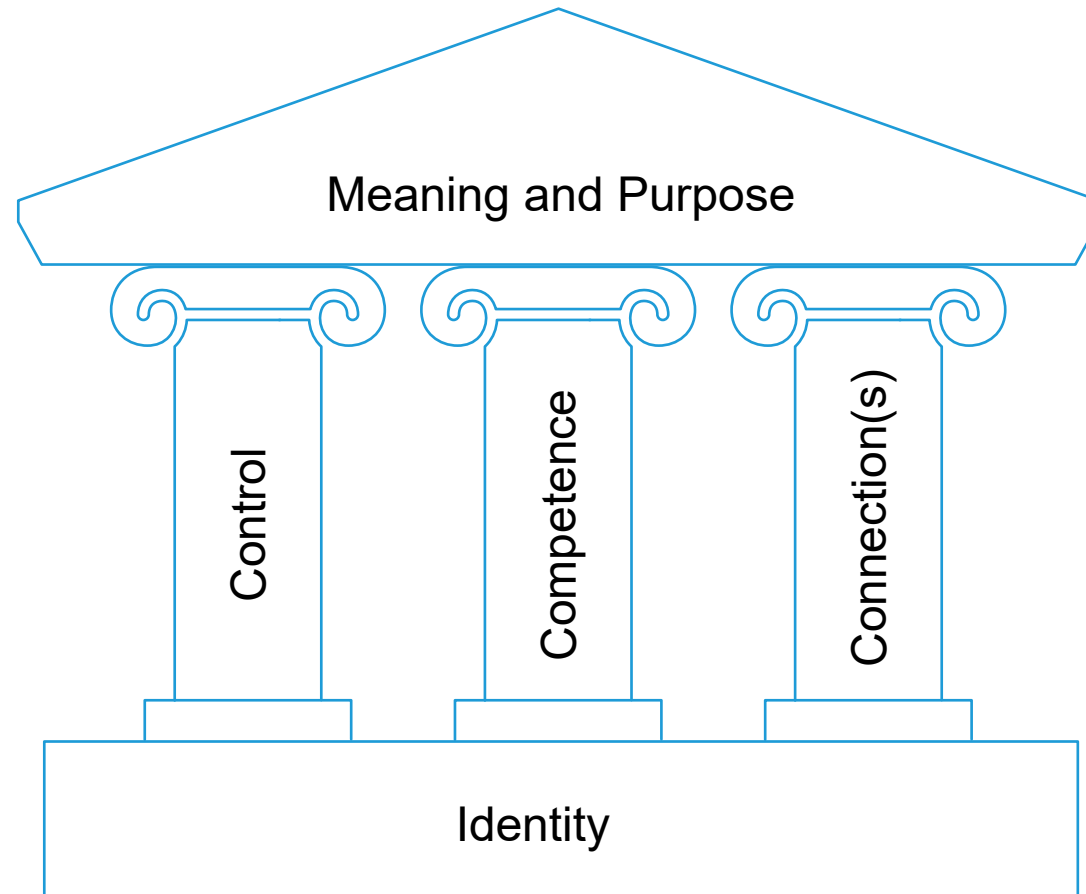
A Closer Look at the Impact of Selling on Self-Esteem

The impact of the decision to sell is felt immediately



Self-Determination Theory: Three Pillars of Self-Esteem

Loss of control, competence and connections has profound effects



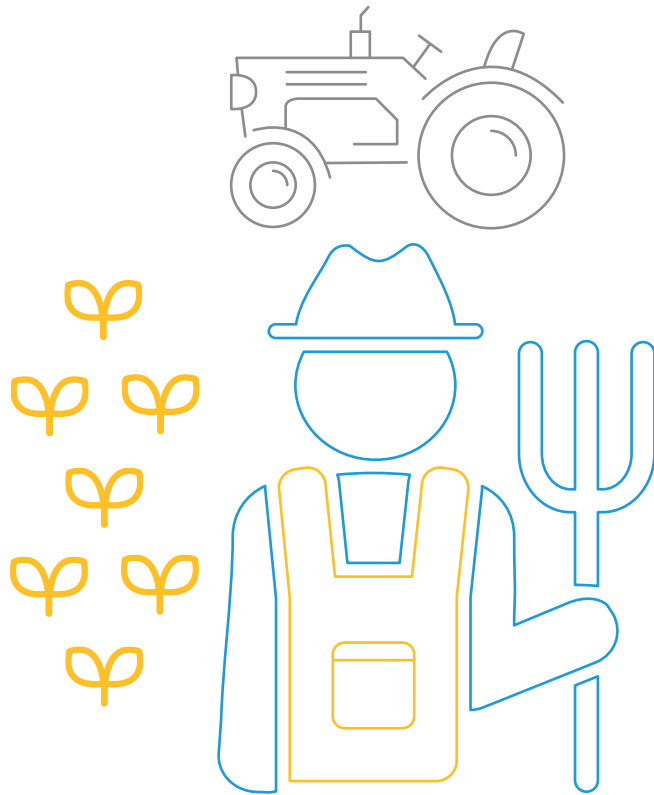
Source: Edward L. Deci and Richard M. Ryan, *Intrinsic Motivation and Self-Determination in Human Behavior* (1985)



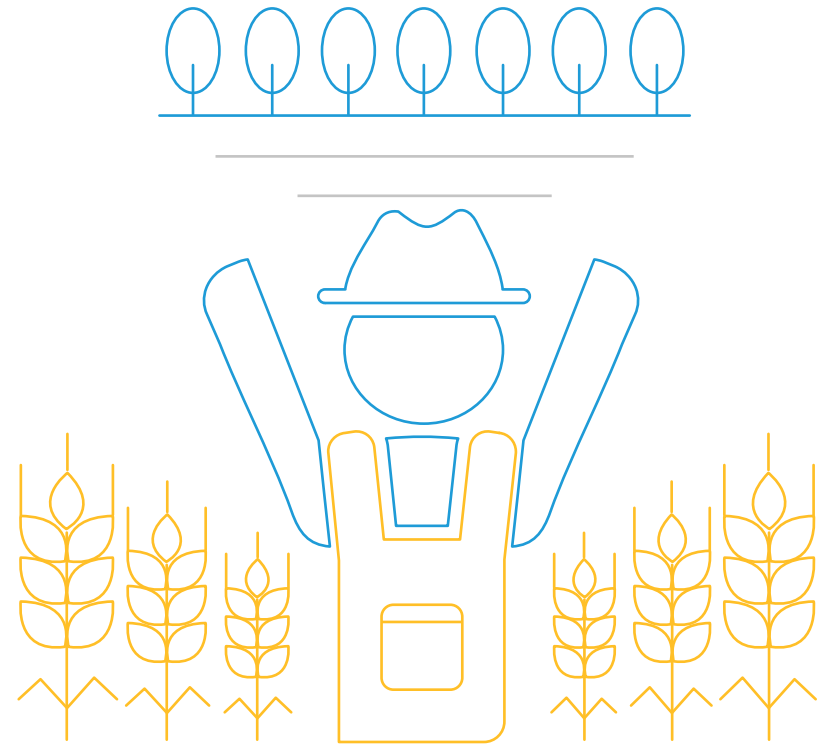
For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

Losses Disrupt Confidence and Increase Anxiety in the World

Less confidence and more anxiety lead to significant cognitive impairment



Before Planting



After Harvest

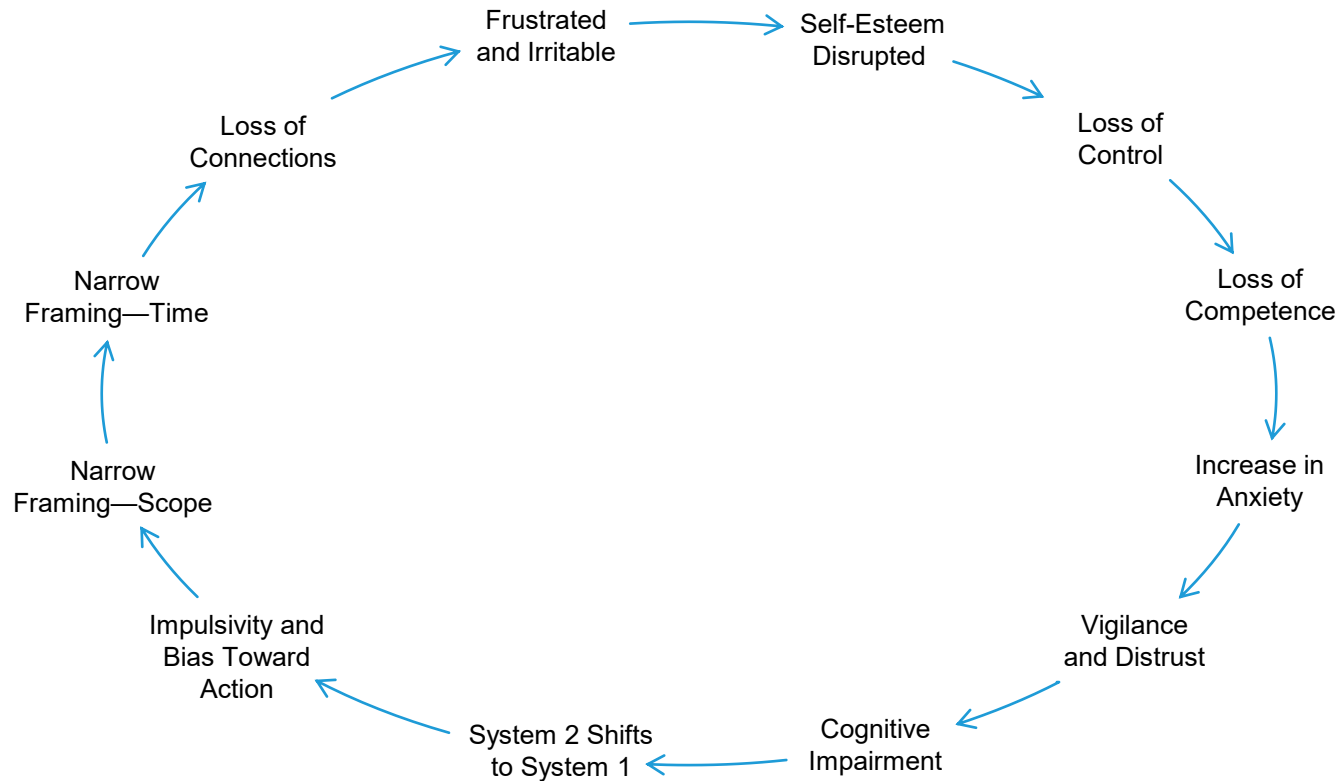
Source: Dan Ariely, *Misbelief: What Makes Rational People Believe Irrational Things* (2023): 58-59



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

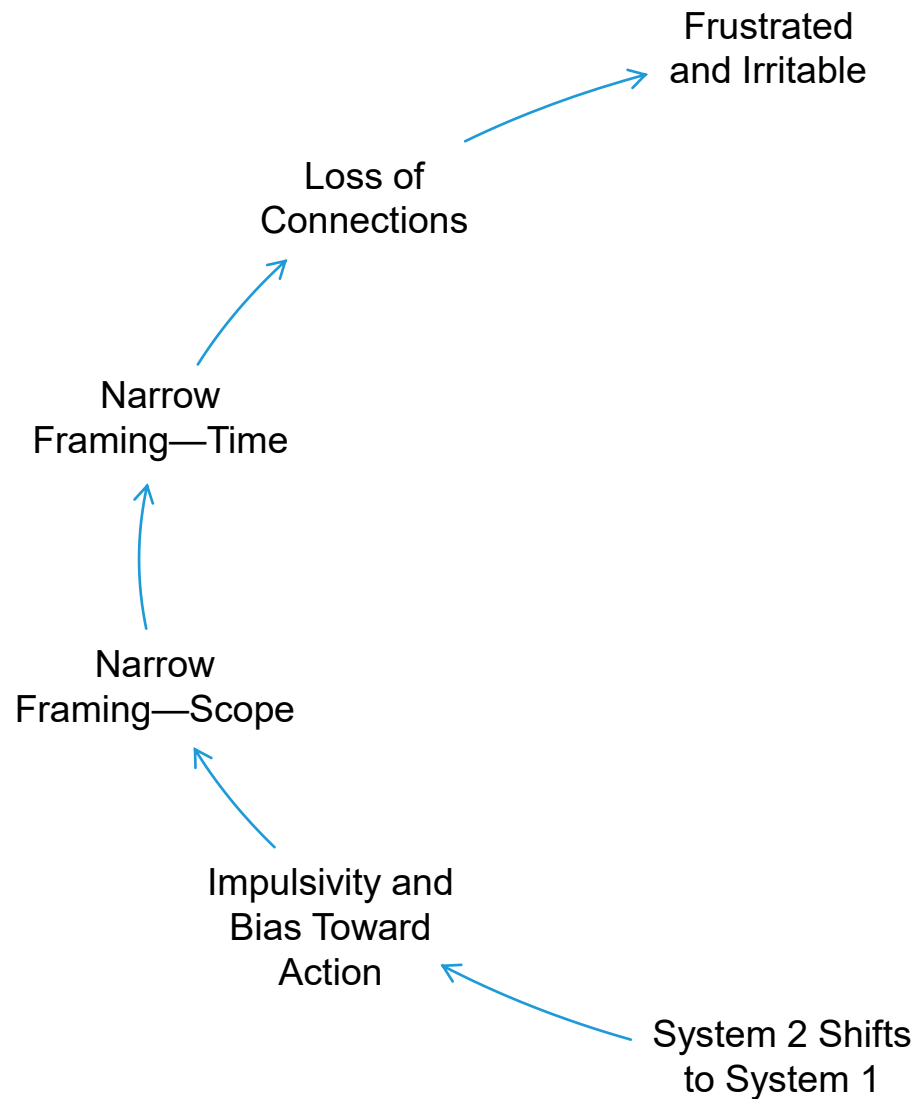
As Preparation Advances, There Are More Implications

The brain as a survival machine



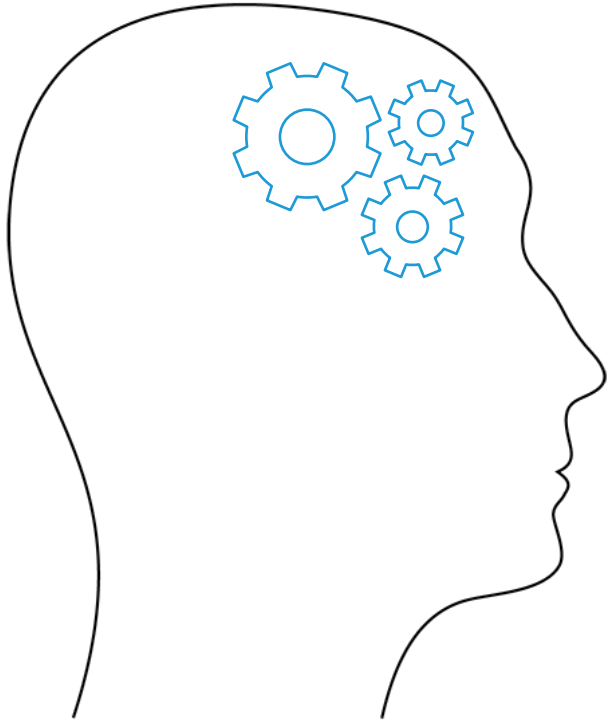
As Preparation Advances, There Are More Implications

The brain as a survival machine



Anxiety and the Complexity of Preparation Exhaust System 2 Resources

System 1 approaches decision-making very differently from System 2



~~Biological~~

~~Dependability~~

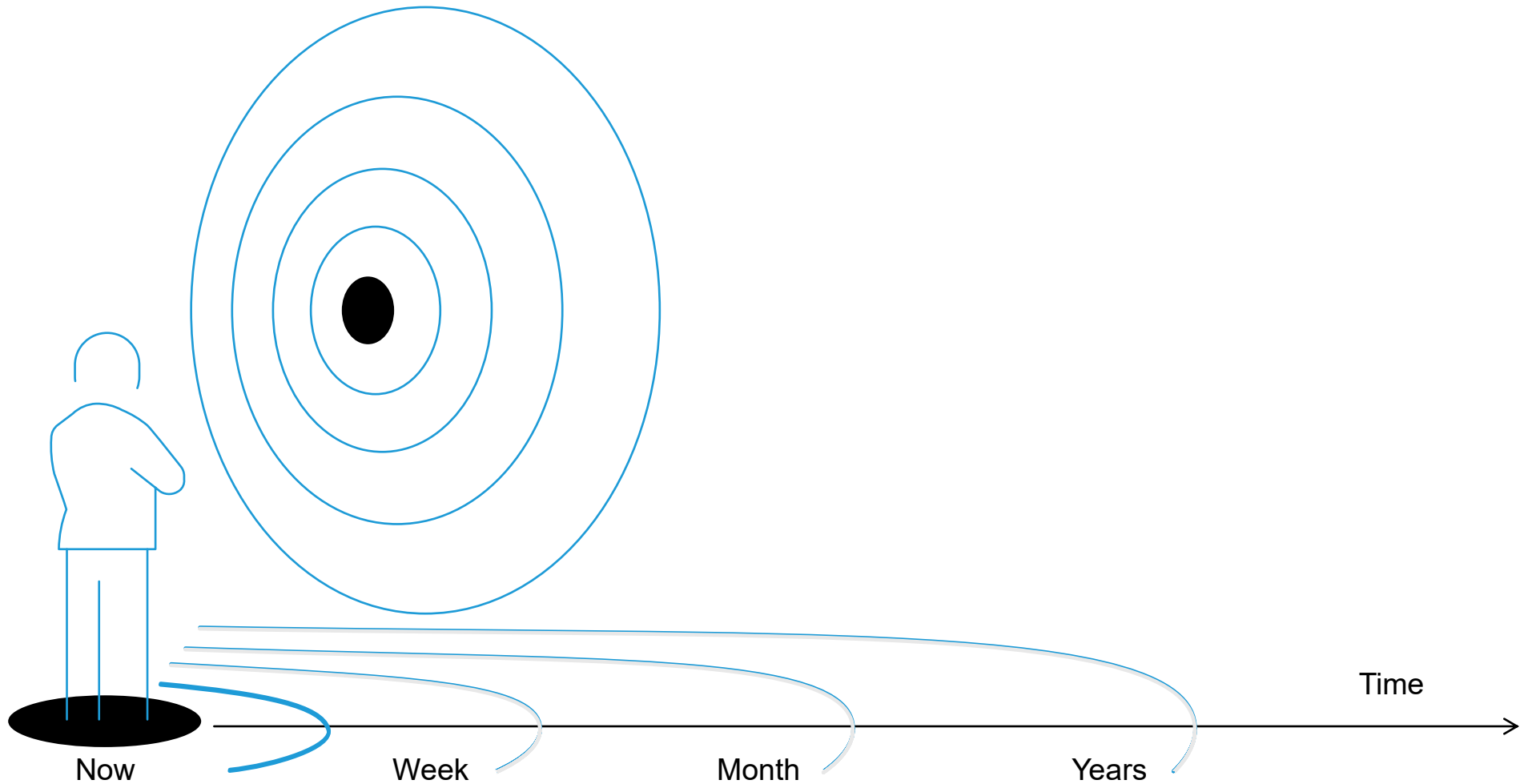
~~Calculations~~

~~Analysis~~



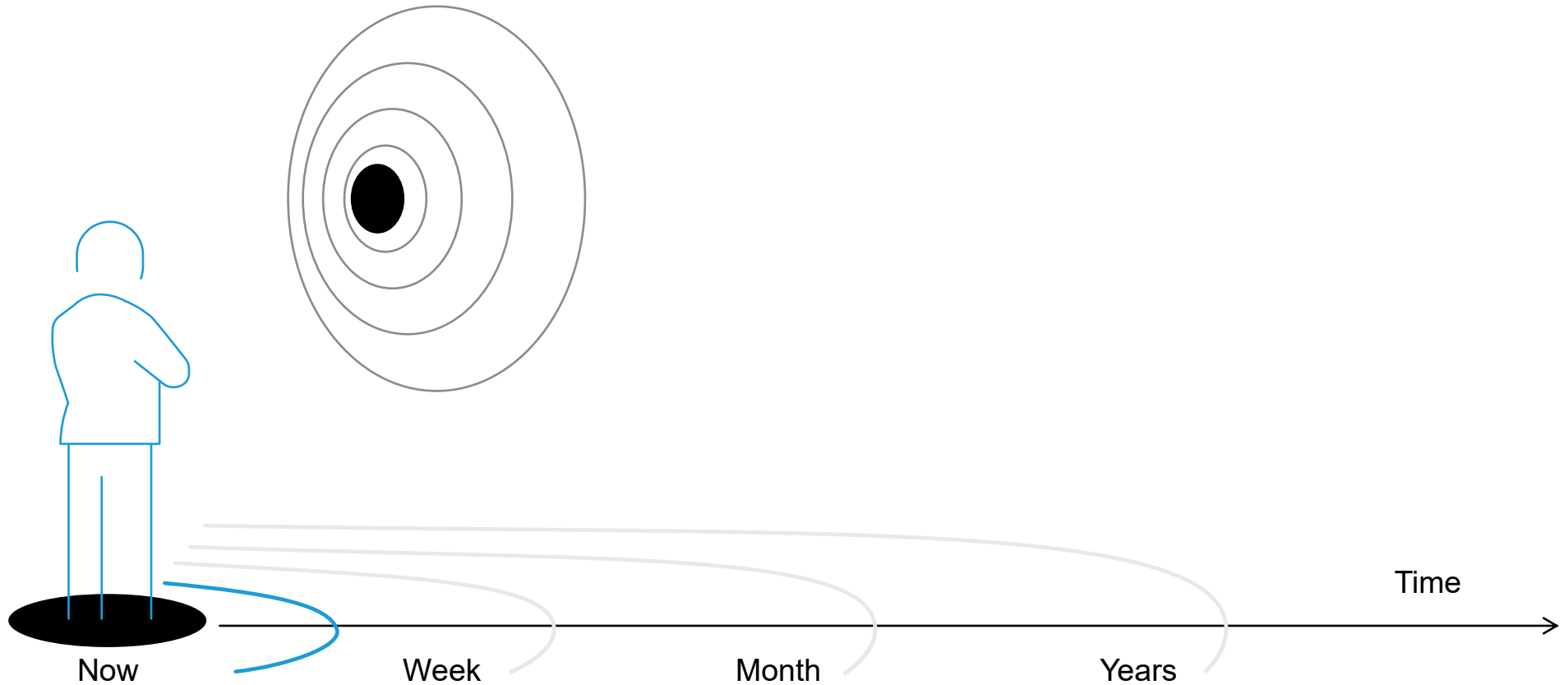
Narrow Framing: Editing Information Out of Awareness

Like all heuristics, narrow framing is an attempt to simplify a complicated problem



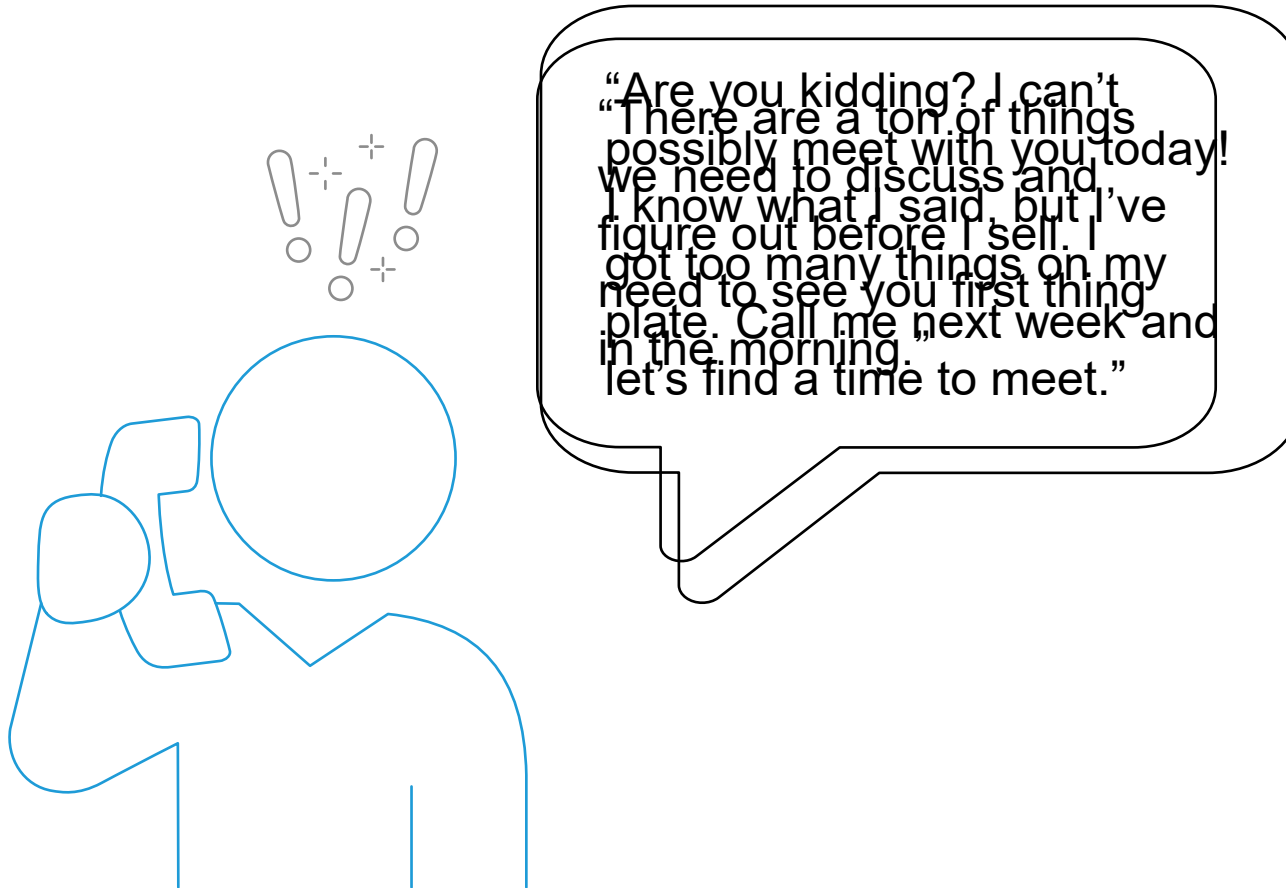
Narrow Framing: Editing Information Out of Awareness

Like all heuristics, narrow framing is an attempt to simplify a complicated problem



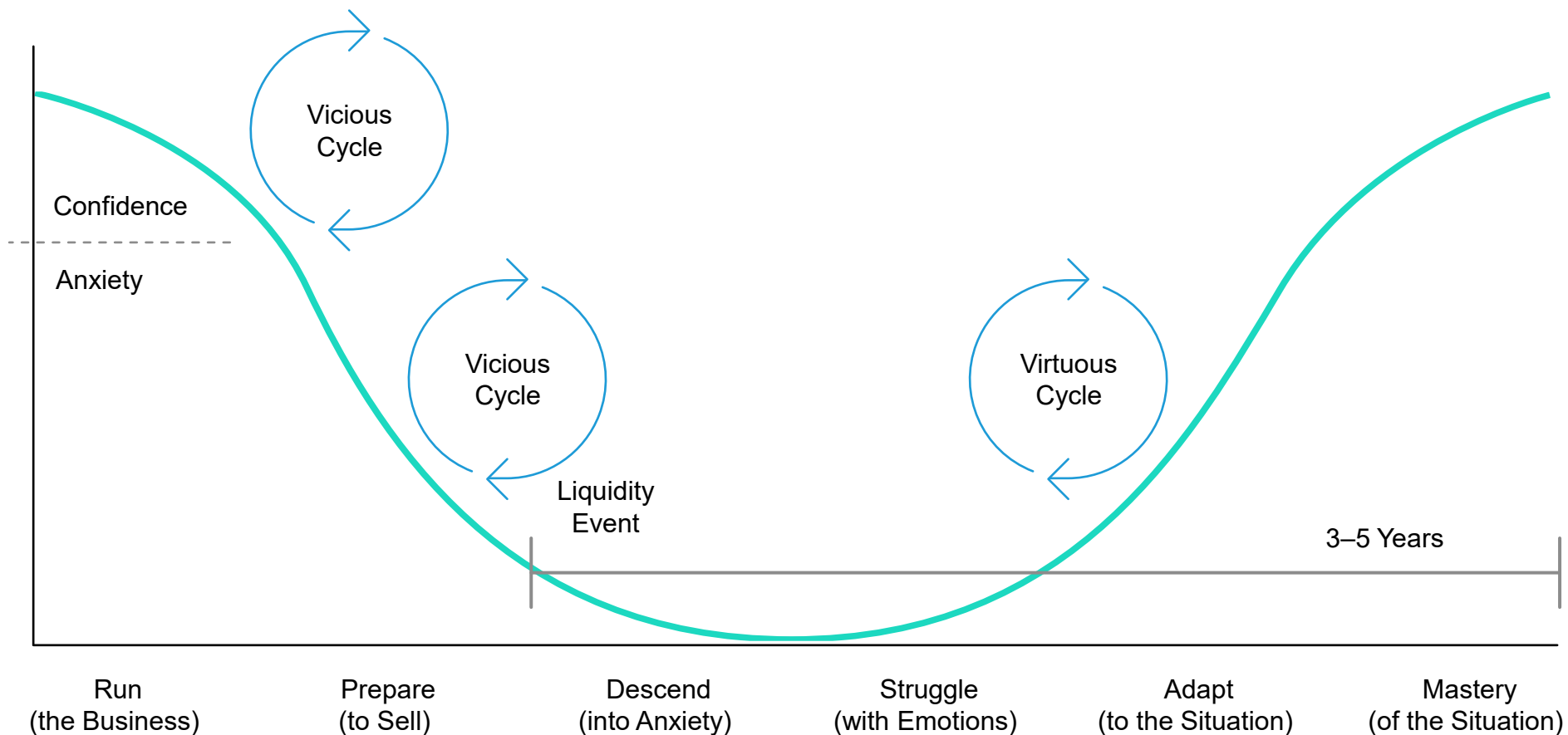
Case Study: A (Universal?) Experience

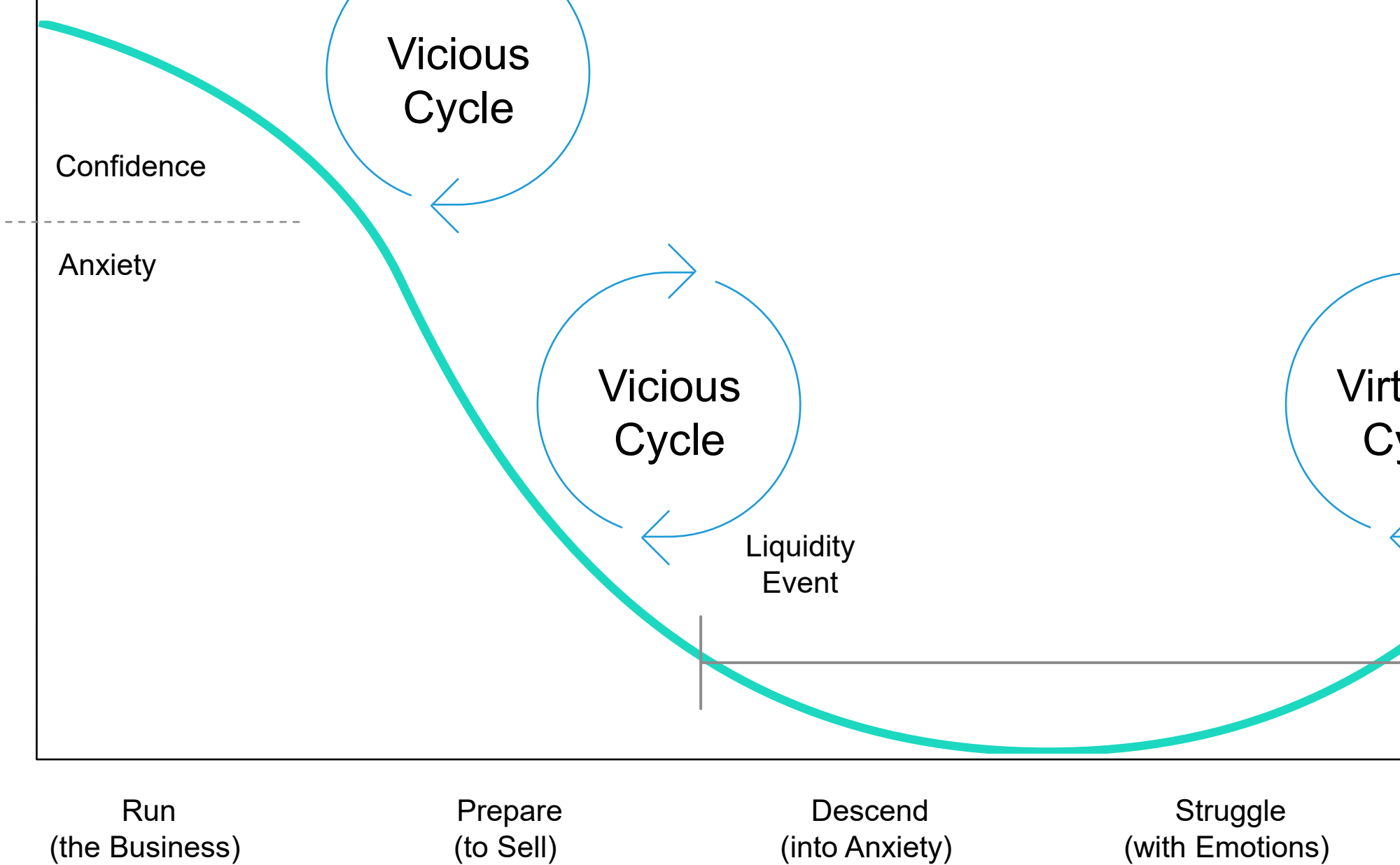
“I need to see you first thing in the morning!”



The Emotional Journey: Taking a Closer Look

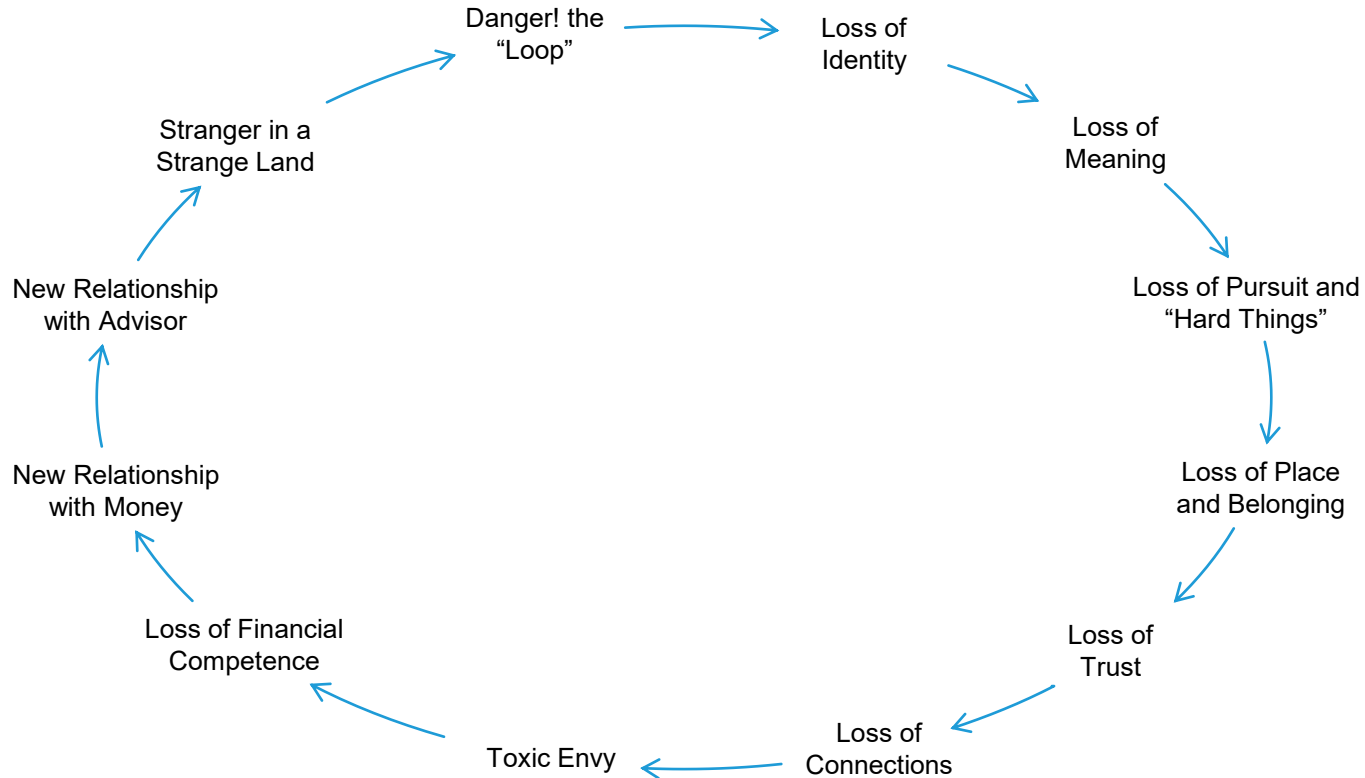
A liquidity event has many predictable impacts and implications





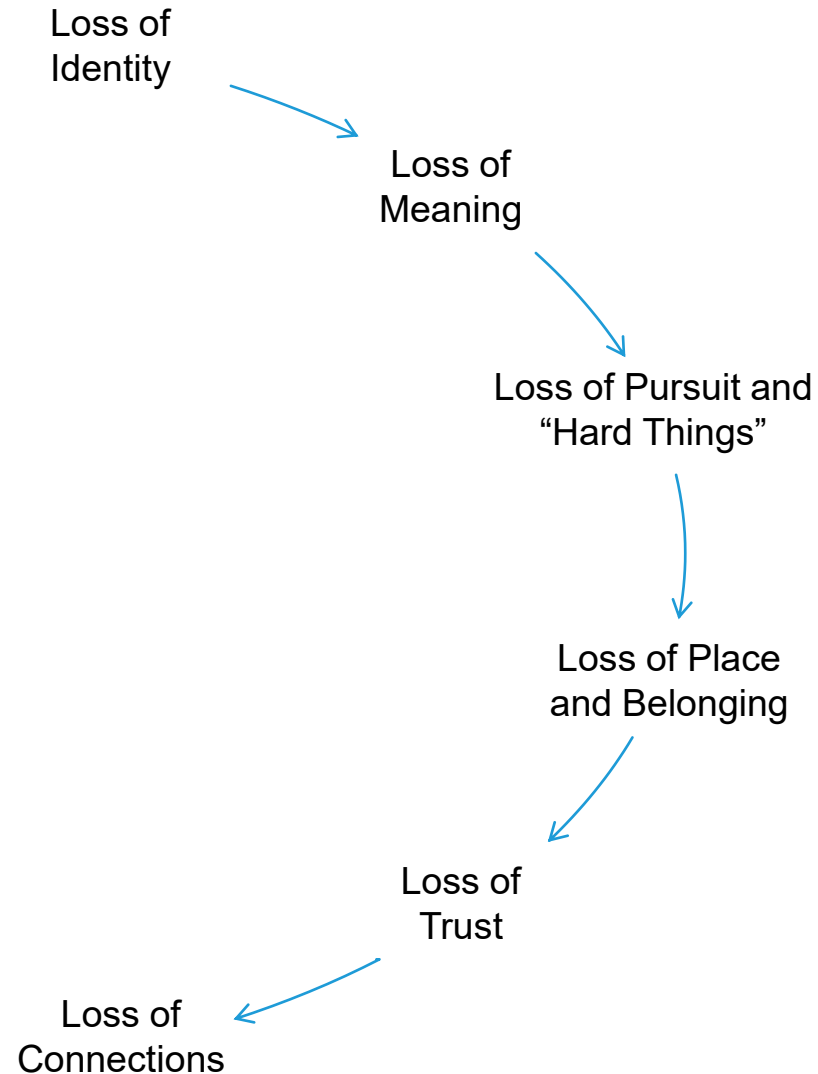
Liquidity Event/Descend and Struggle: Vicious Cycle

The liquidity event continues and expands the series of emotional reactions



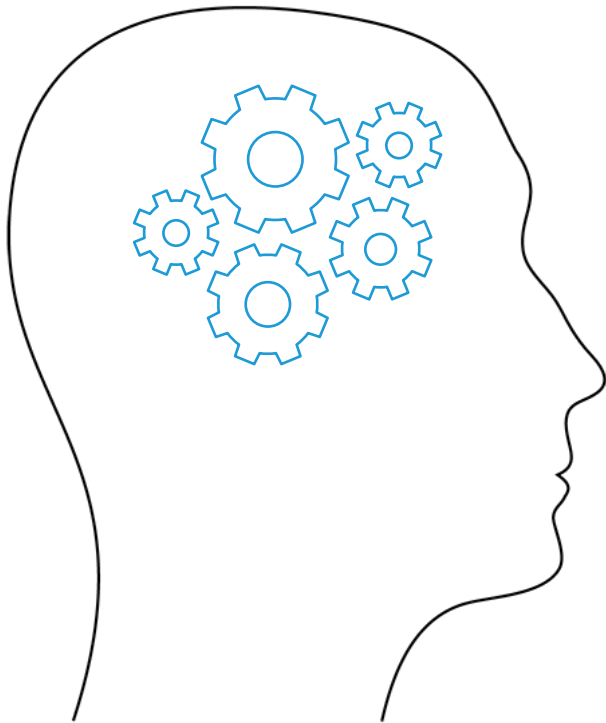
Liquidity Event/Descend and Struggle: Vicious Cycle

The liquidity event continues and expands the series of emotional reactions



Loss of Identity, Meaning and Purpose

A brain wired for different challenges: “I don’t belong here!”



Rash Linguistic Events

Dopamine Craving and Pursuit Cycle

Anterior Mid-Cingulate Cortex

Business Accomplishments and Goals

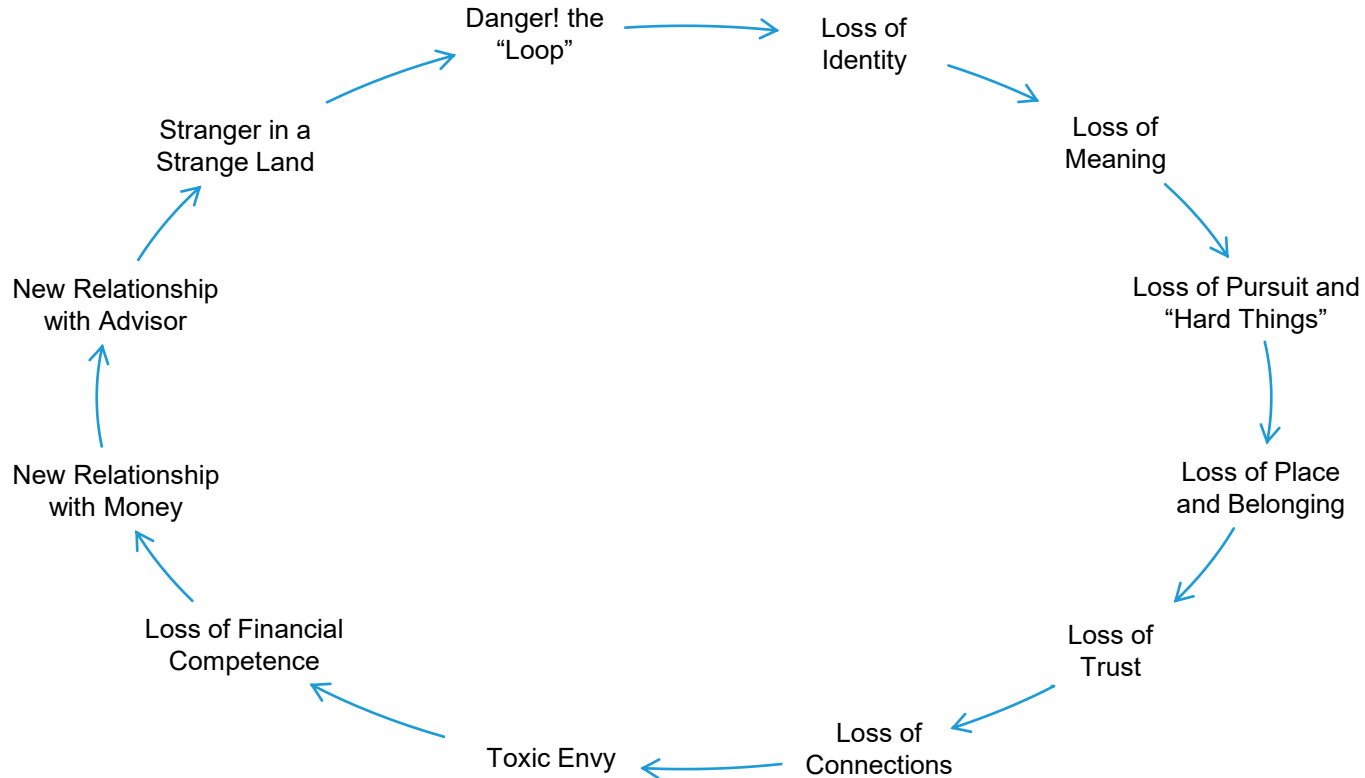
Addressing Business Challenges

Source: Alexandra Touroutoglou et al, “The Tenacious Brain: How the Anterior Mid-Cingulate Contributes to Achieving Goals,” *Cortex* vol. 123 (February 2020): 12-29



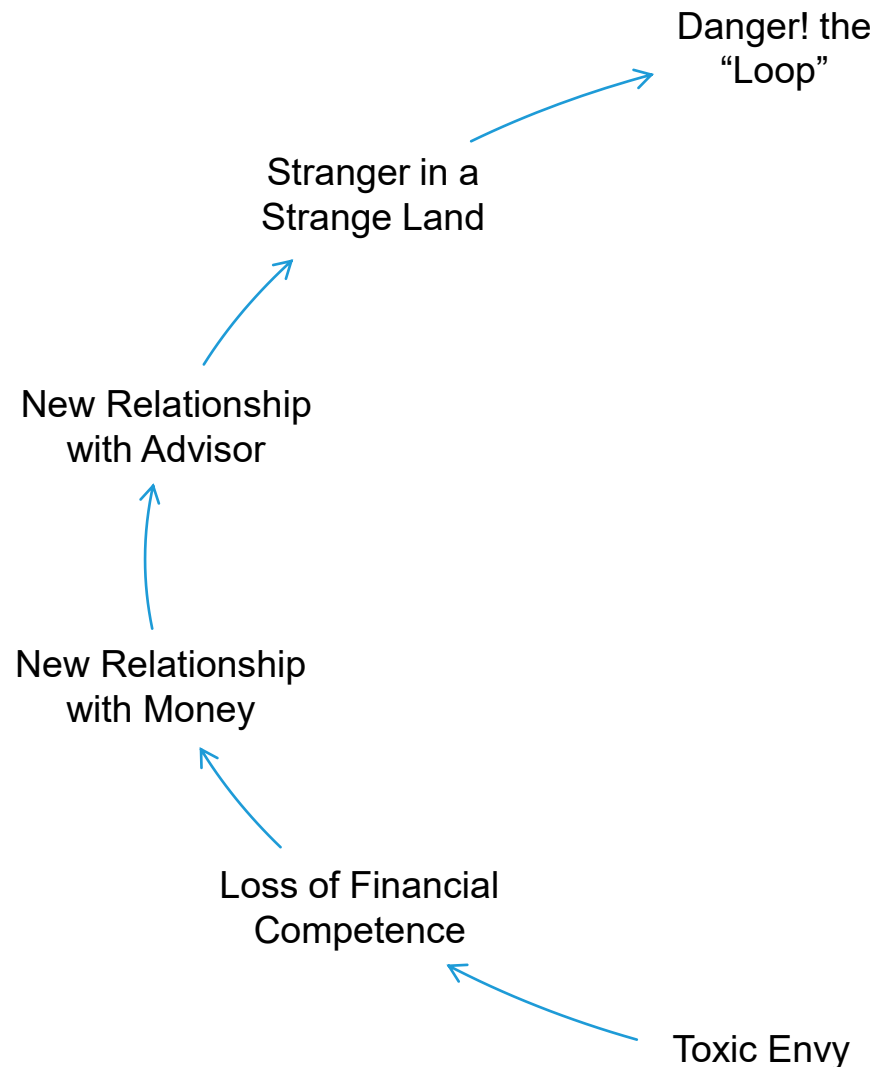
Liquidity Event/Descend and Struggle: Vicious Cycle

The liquidity event continues and expands the series of emotional reactions



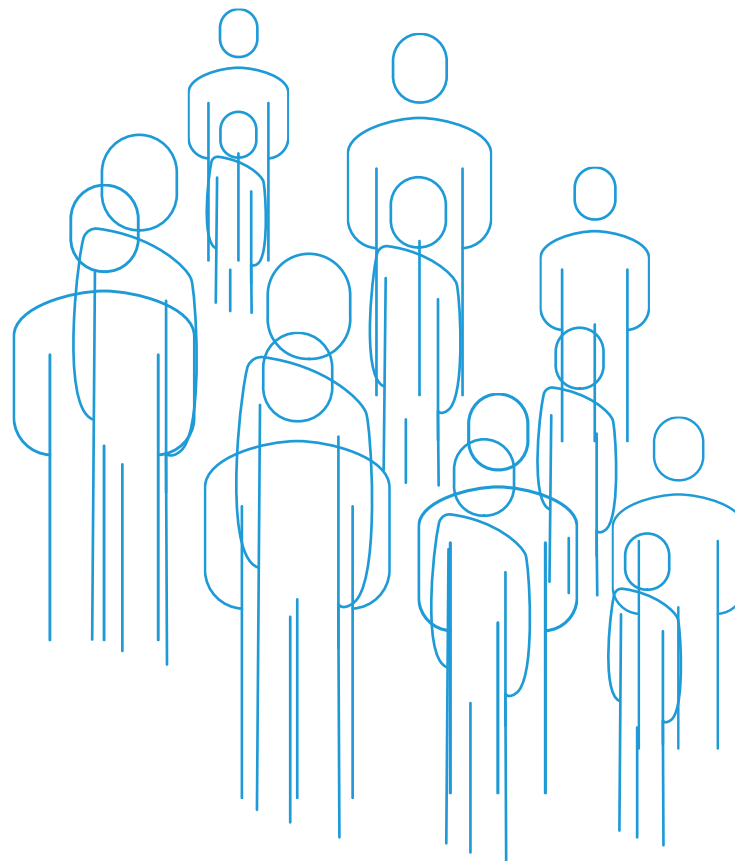
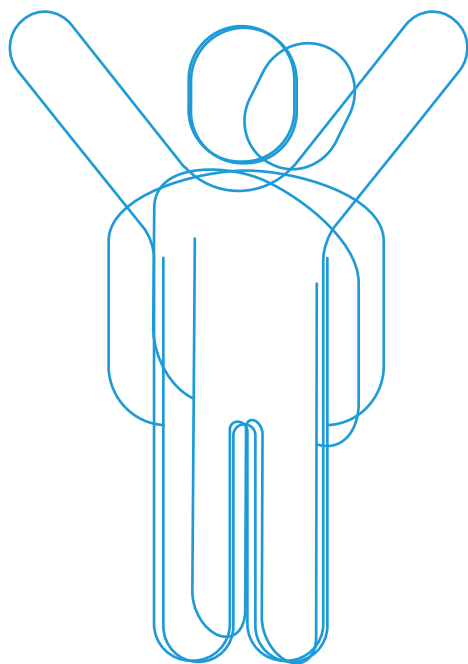
Liquidity Event/Descend and Struggle: Vicious Cycle

The liquidity event continues and expands the series of emotional reactions



Loss of Friends, Family and Workplace Connections

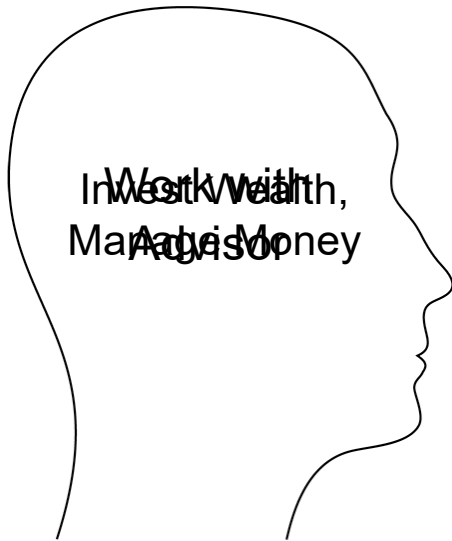
The challenge of toxic envy



A Profound Shift in Locus of Control

A new relationship with money and with the advisor

Advisor



Client



Locus of Control



A Stranger in a Strange Land

James Grubman and the immigrant experience



Born and raised in modest economic circumstances, UHNW clients find themselves in the wonderful but unfamiliar world of wealth, like immigrants in a new land. Their adjustment is often harder than they anticipate.

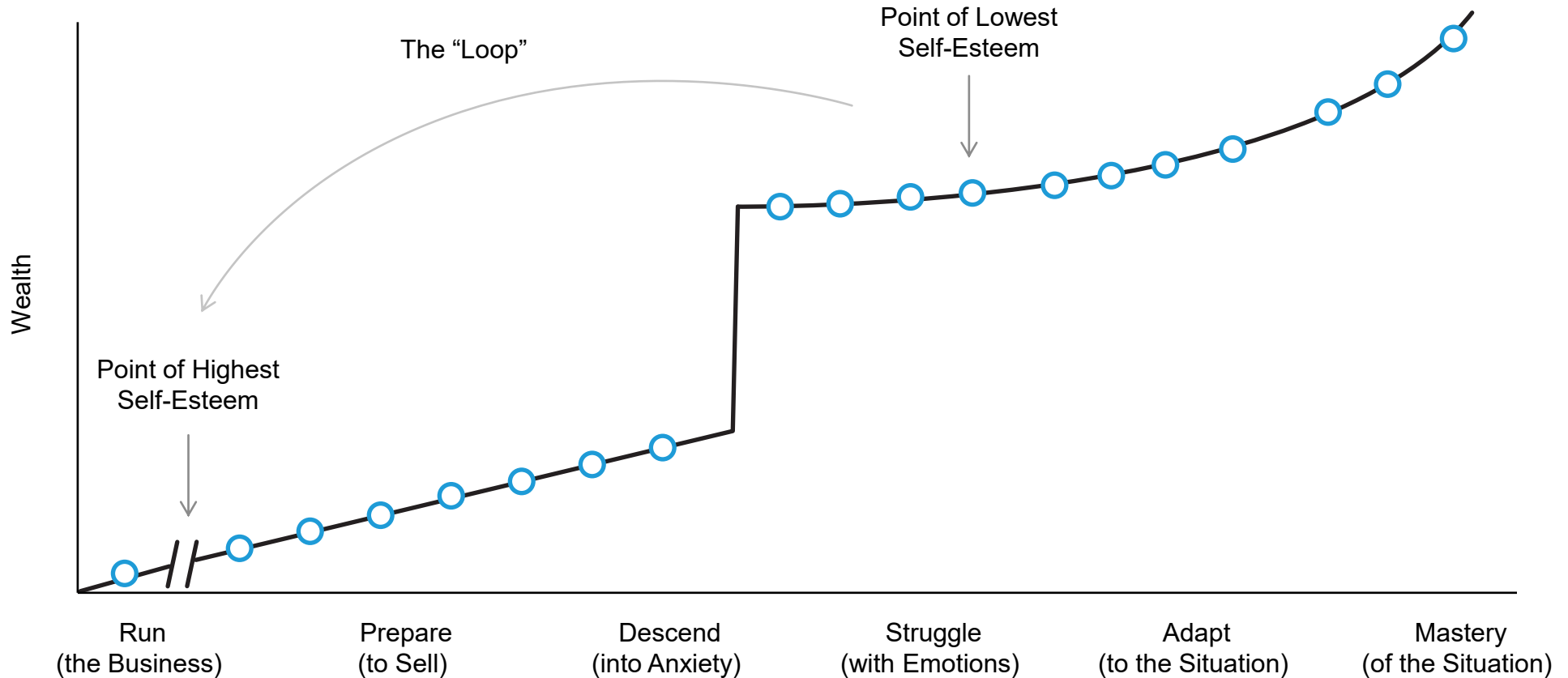
Source: James Grubman, Ph.D., *Strangers in Paradise: How Families Adapt to Wealth Across Generations* (2013)



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

Everything Is New, Different and Uncomfortable

Danger: the “Loop”



Case Study: Robert Kiyosaki, from Entrepreneur to Philosopher/Teacher

“Take at least a full year off before you decide on a new project”

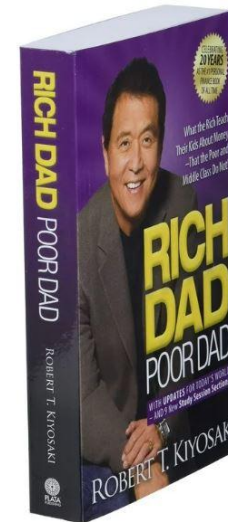
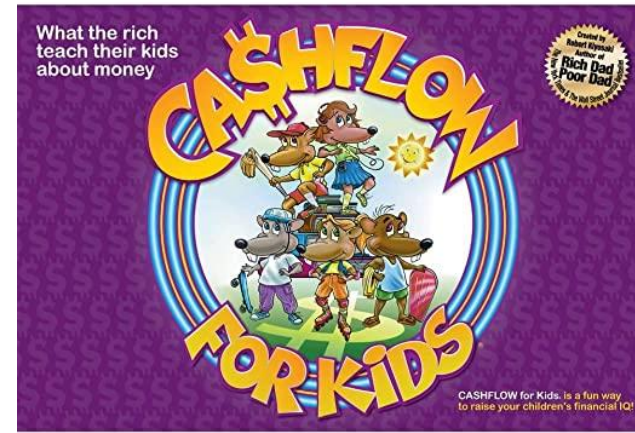


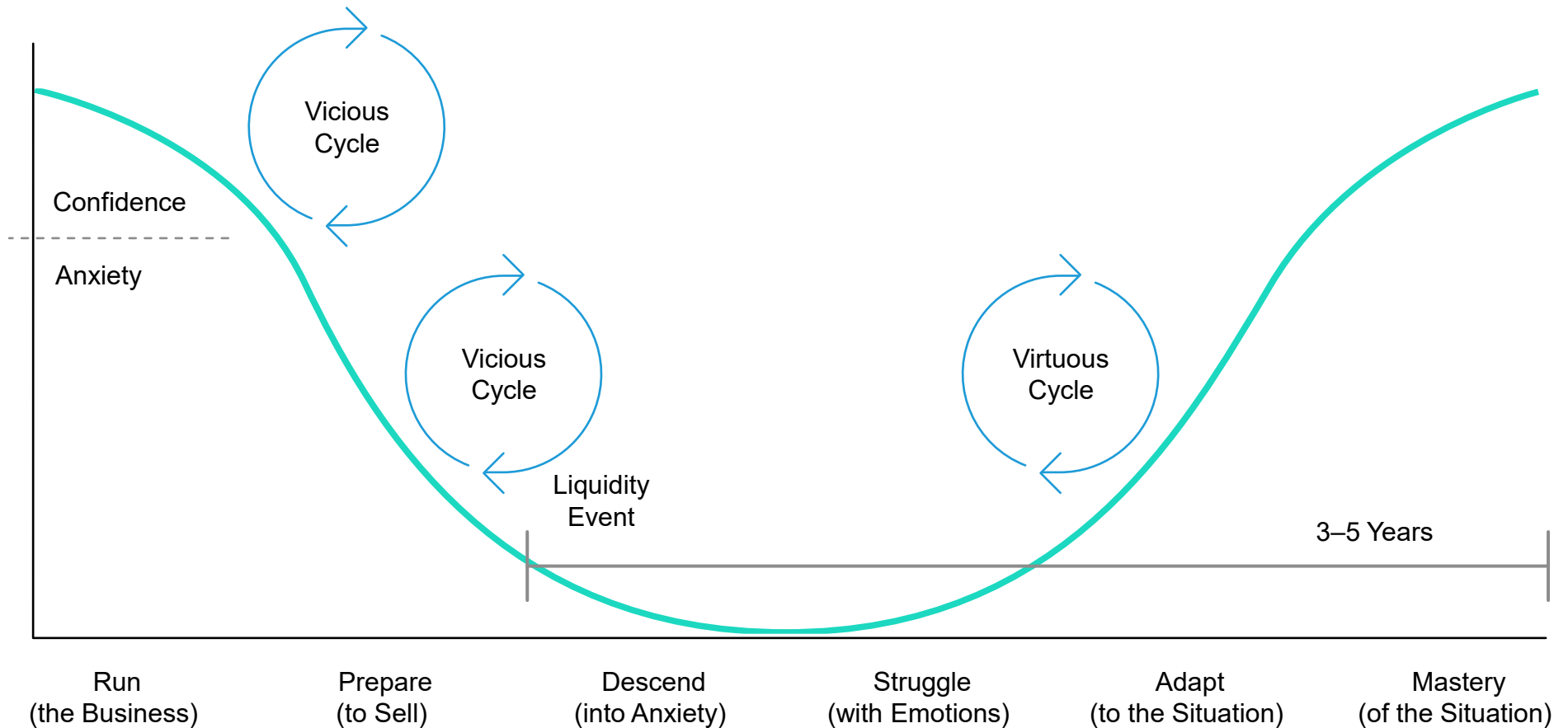
Photo source: “Rich Dad, Poor Dad: Franchising with Robert Kiyosaki,” FranchiseSecrets.com (accessed September 2024)



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

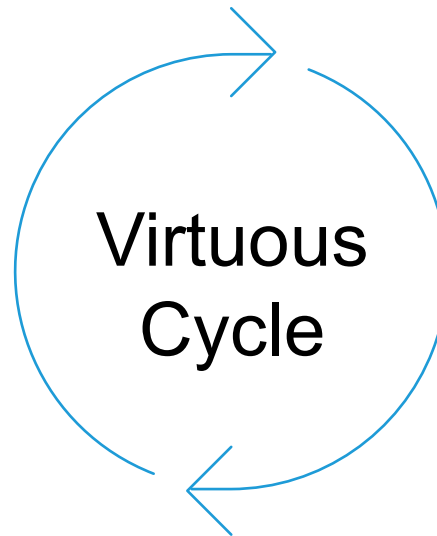
Over Time, the Client Masters the Situation

Experiences and learning lead to a virtuous cycle of adaptation



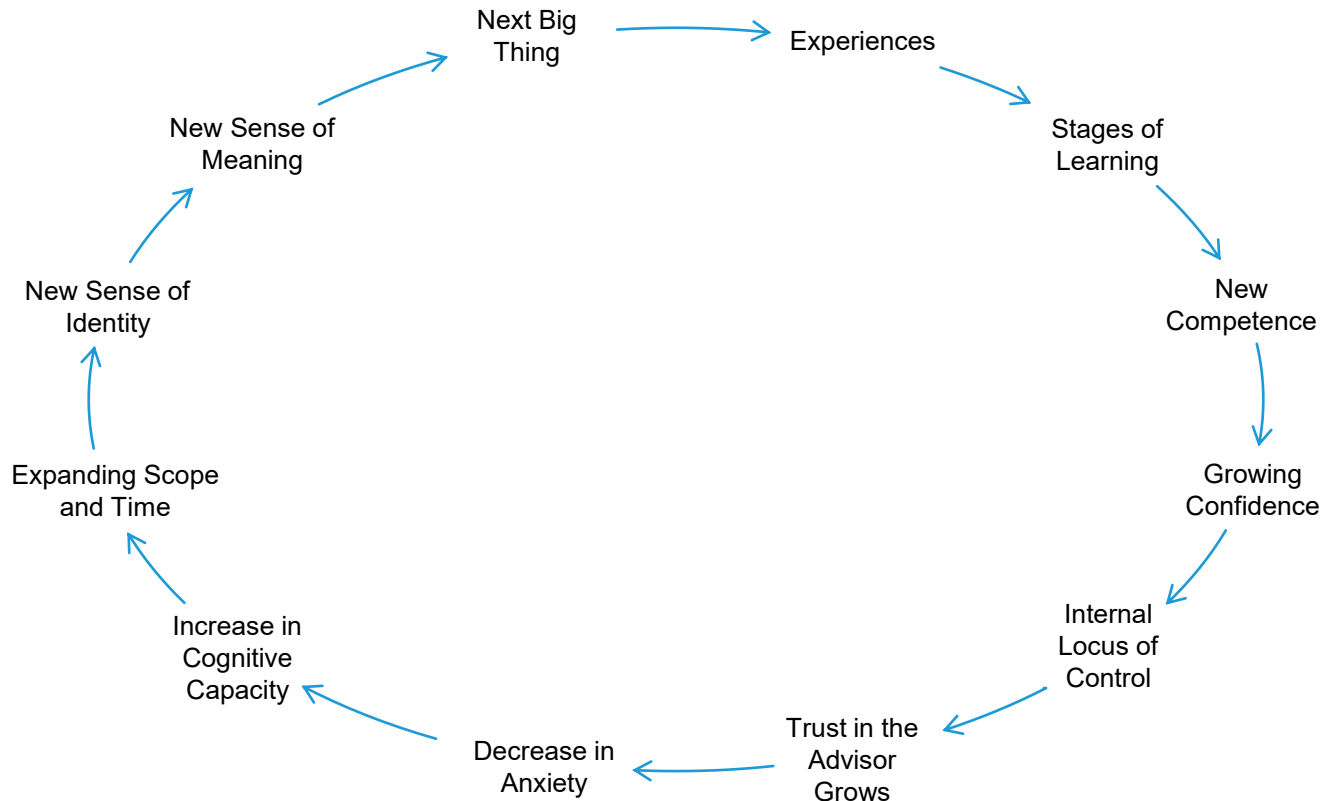
Over Time, the Client Masters the Situation

Experiences and learning lead to a virtuous cycle of adaptation



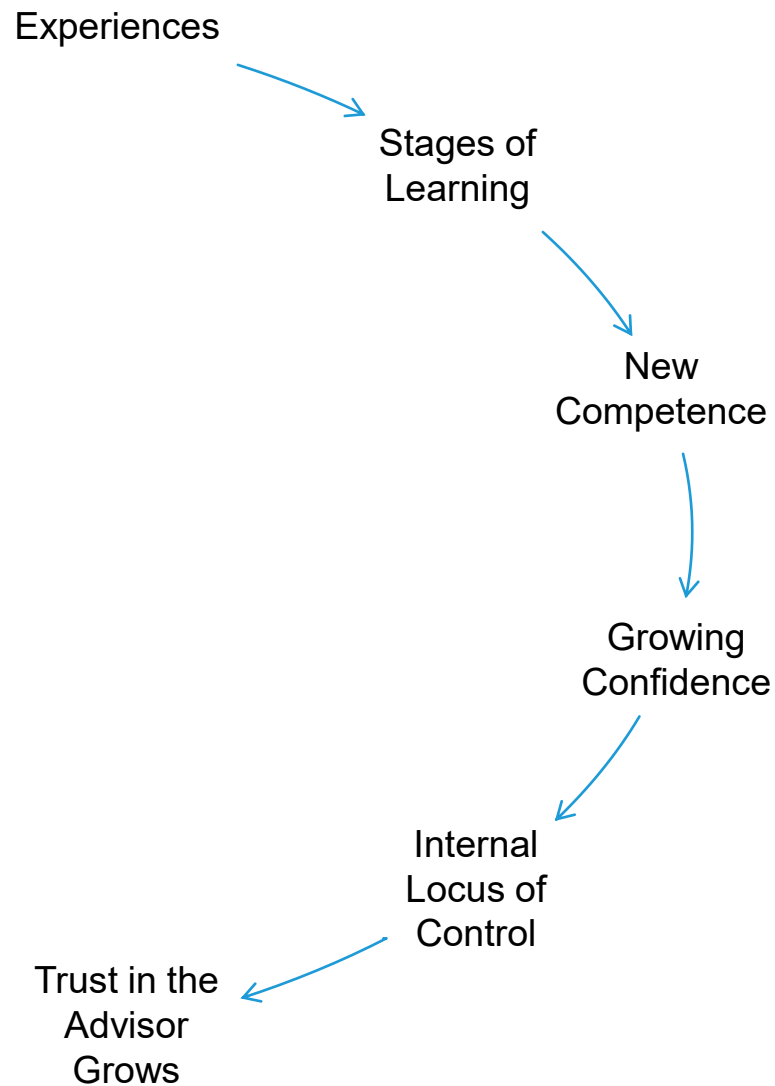
Adaptation and Mastery: A Virtuous Cycle

New competence, connections and control restore self-esteem



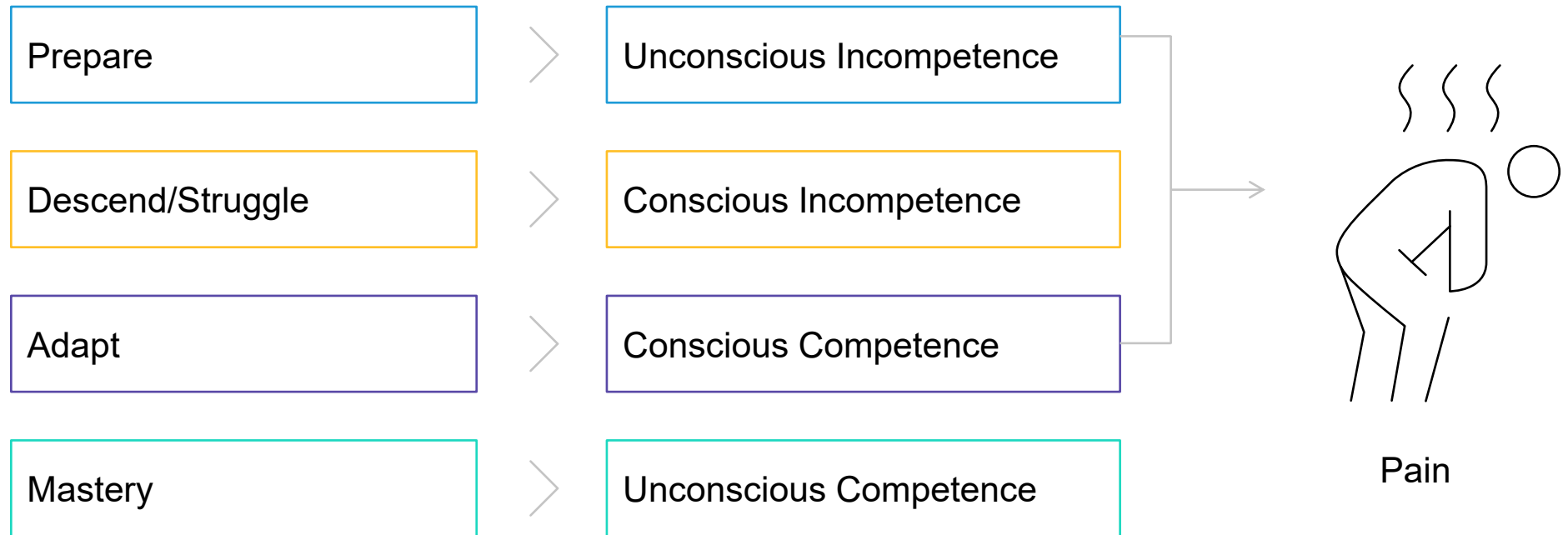
Adaptation and Mastery: A Virtuous Cycle

New competence, connections and control restore self-esteem



A Learning Process in Four Steps

Adapting to a new situation is a significant challenge



If the client can tolerate the pain, experiences will stimulate learning and lead to mastery.

Case Study: Joe McLean and Intersect Capital

The internship



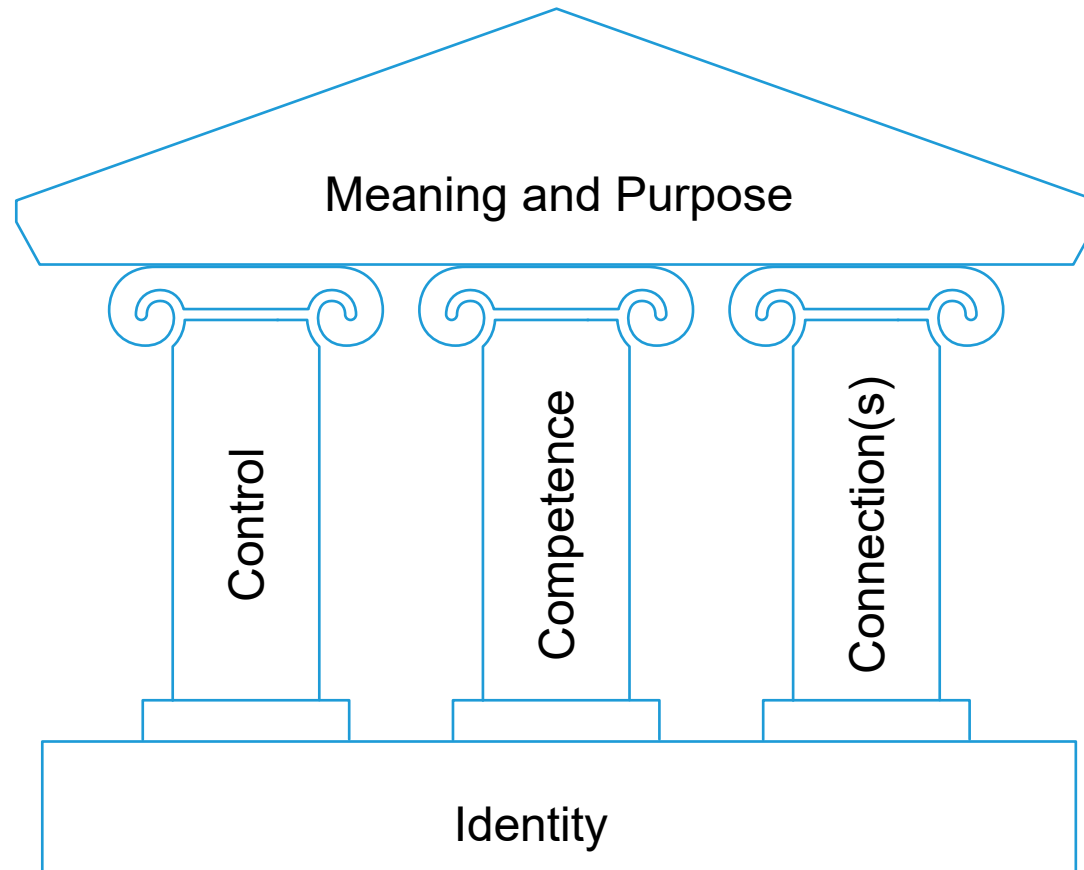
Photo source: Devin Gordon, "Meet the Money Whisperer to the Super-Rich N.B.A. Elite," *The New York Times* (June 9, 2019)



For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

Rebuilding Self-Esteem in the New Context

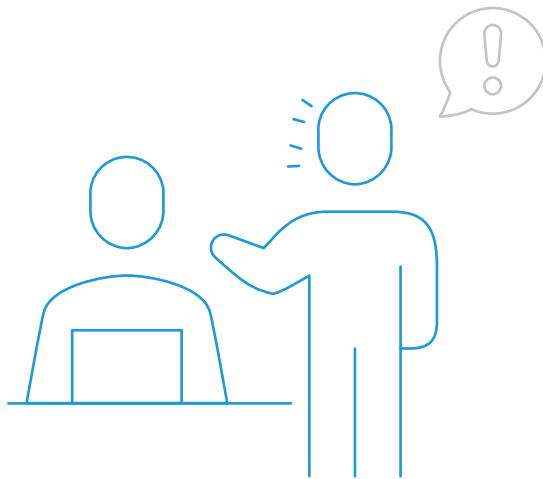
Developing new competence, connections and control drives adaptation



A new identity, meaning and purpose are forged through new experiences of connections, competence and control.

Evidence of Adaptation: Changing the Relationship with the Advisor

Increasing senses of competence and trust lead to noticeable shifts in behavior



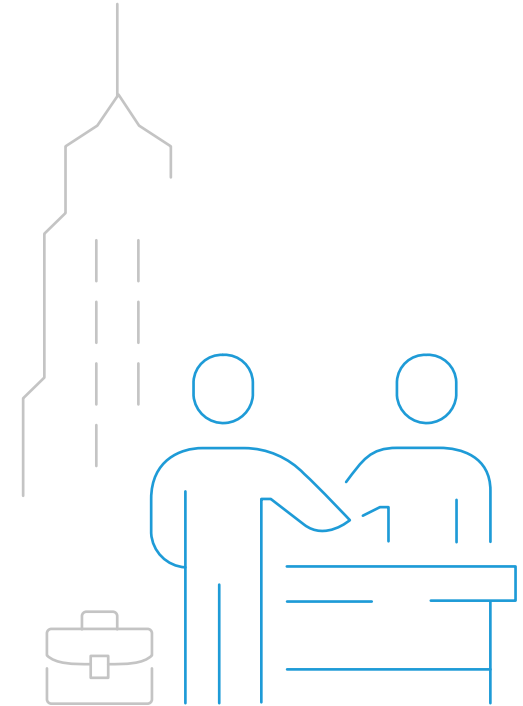
Controller

Descend/Struggle



Collaborator

Adapt



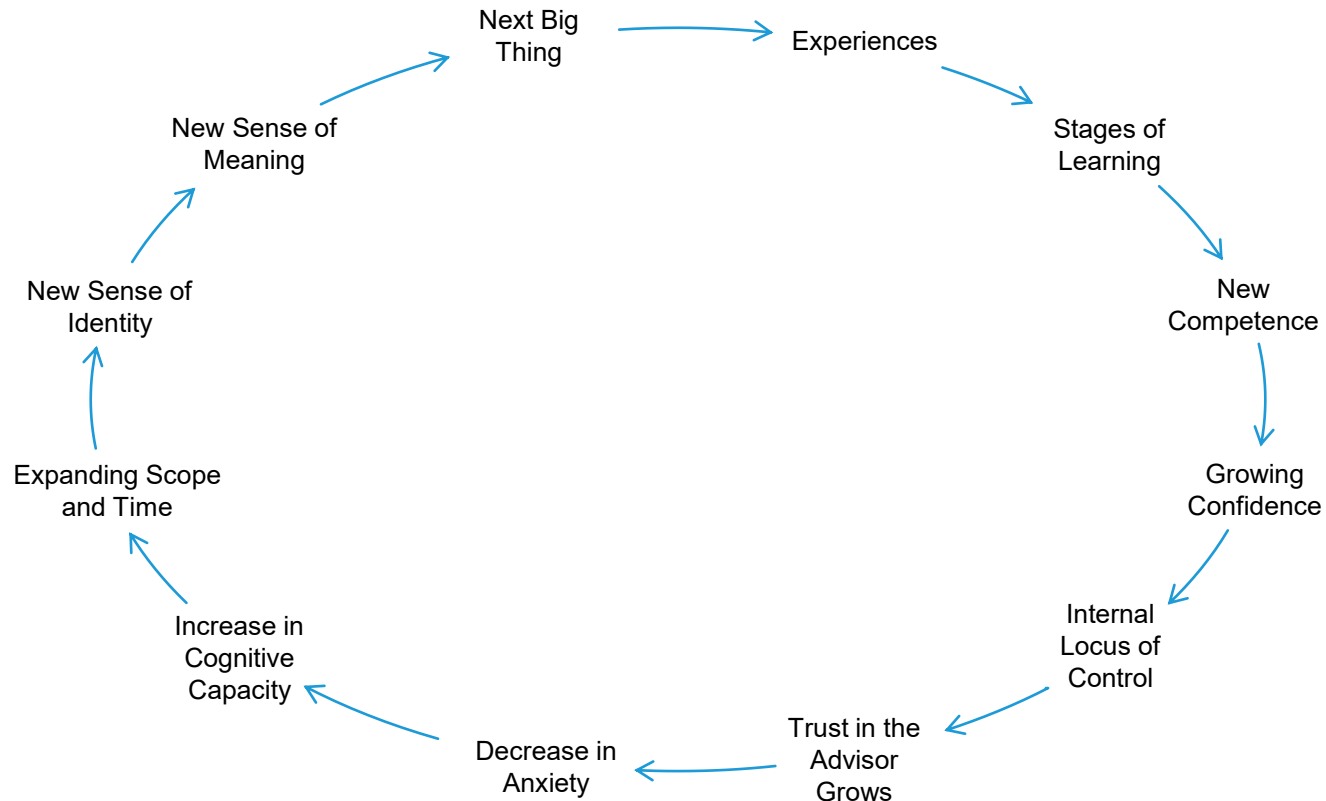
Delegator

Mastery

As confidence and self-esteem increase, the client is able to trust the advisor and the process more. Conversations with advisors suggest the process of adaptation takes 3–5 years.

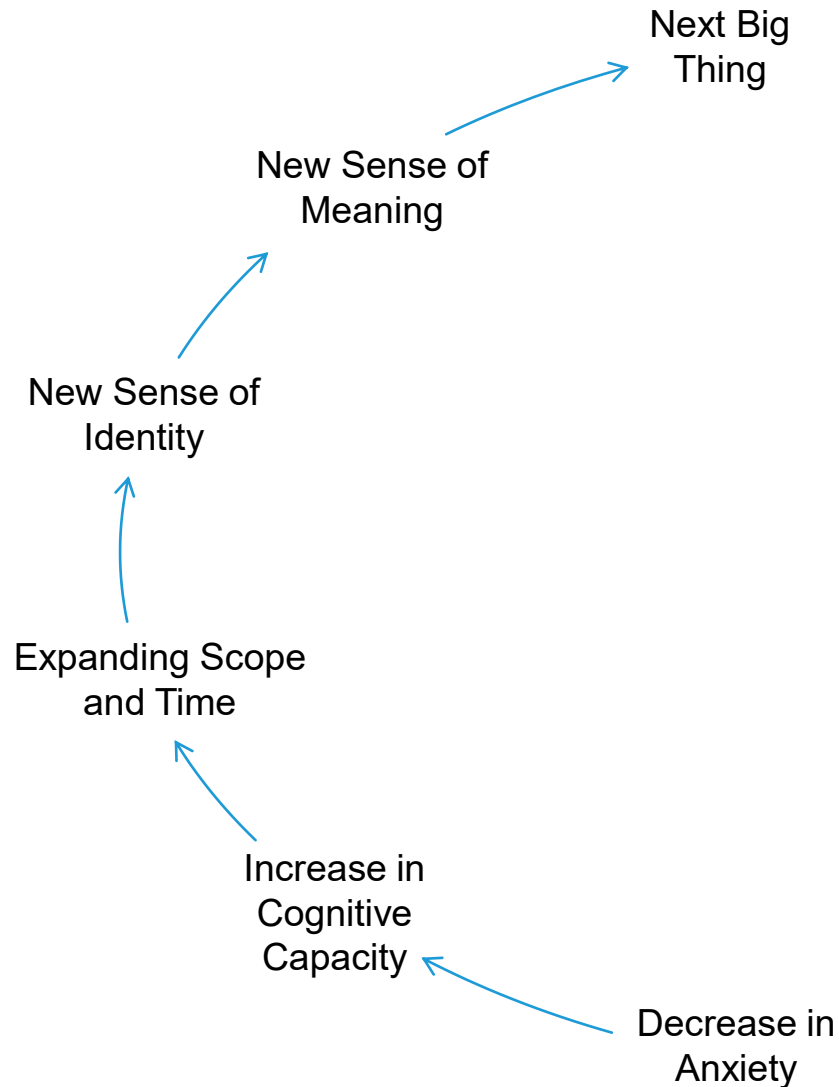
Adaptation and Mastery: A Virtuous Cycle

Increasing confidence stimulates a shift from System 1 back to System 2



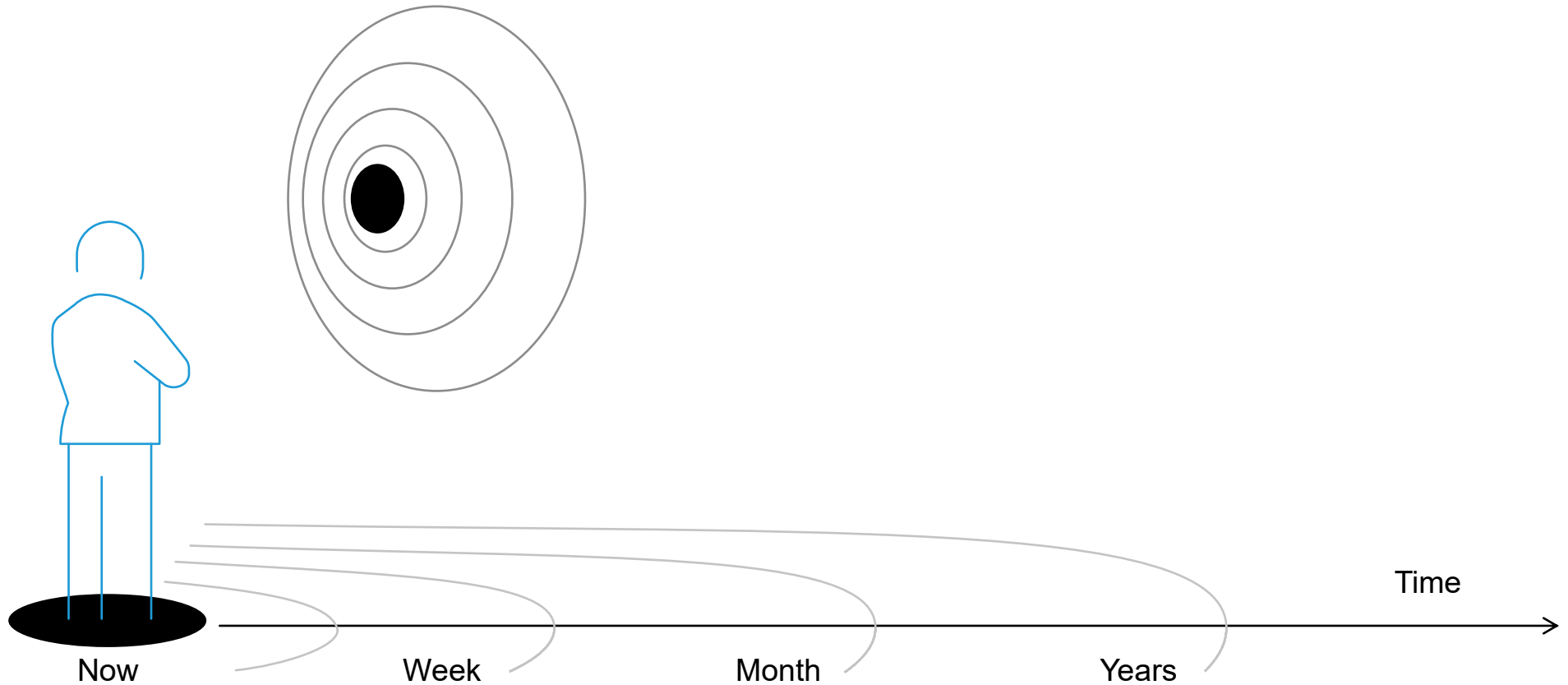
Adaptation and Mastery: A Virtuous Cycle

Increasing confidence stimulates a shift from System 1 back to System 2



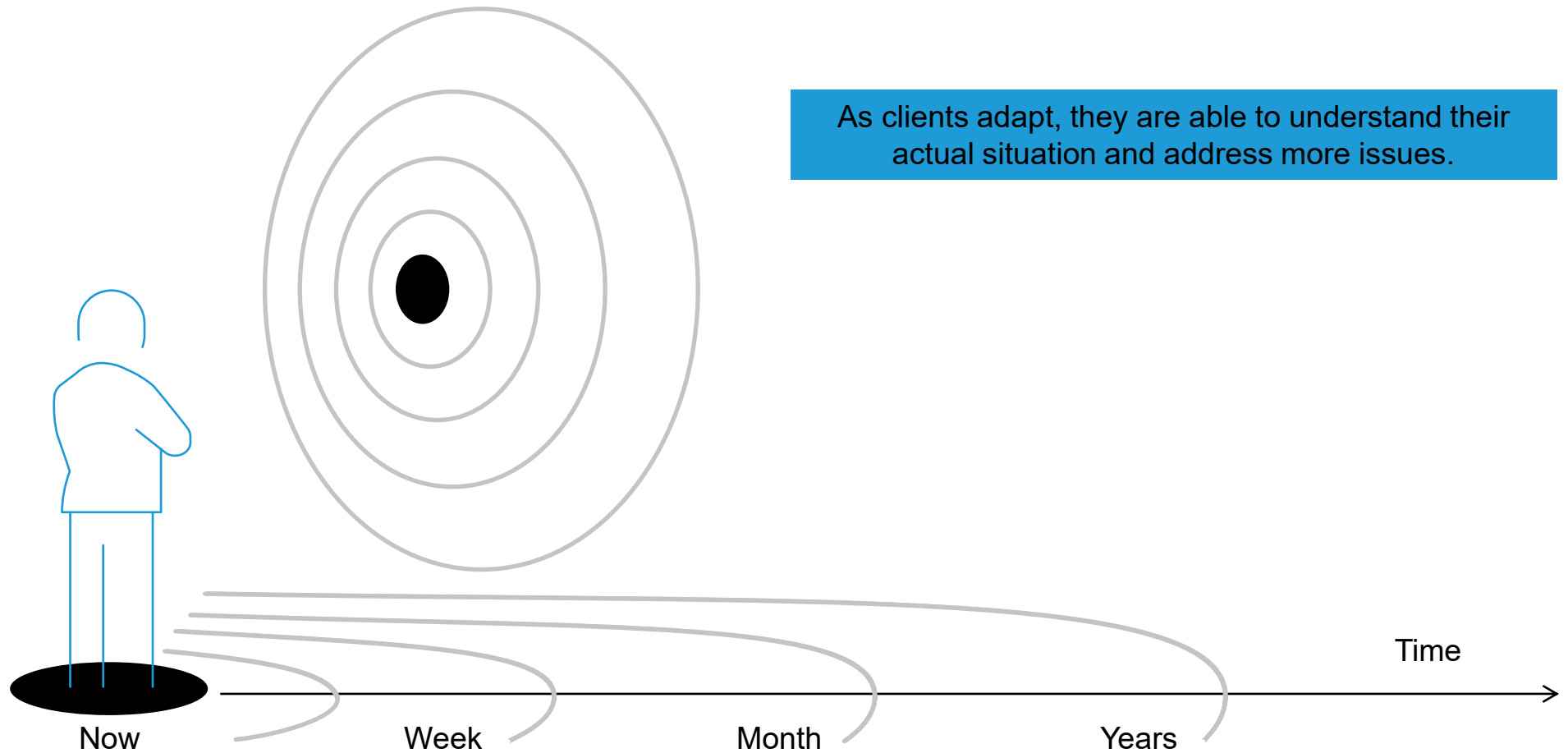
Evidence of Adaptation: Broad Framing of the Financial Situation

Increasing confidence allows time and scope of attention to expand



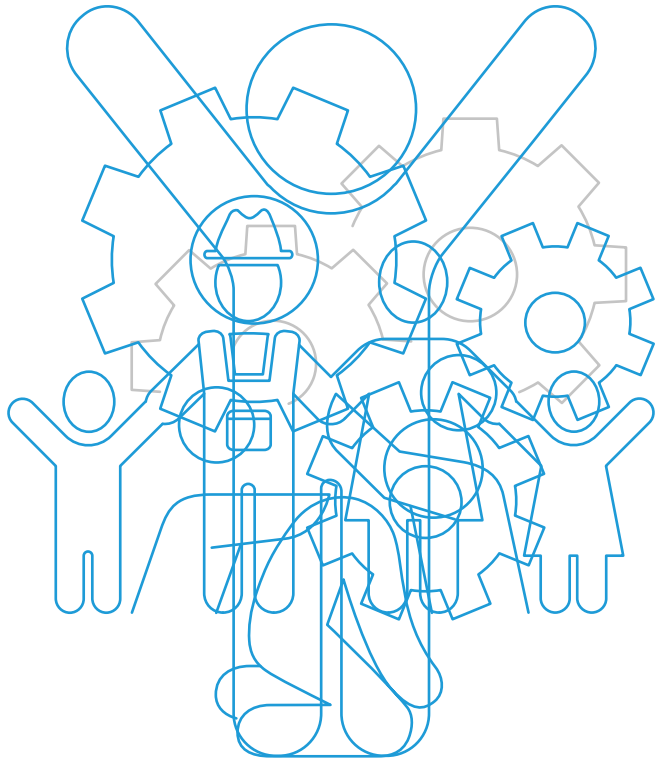
Evidence of Adaptation: Broad Framing of the Financial Situation

Increasing confidence allows time and scope of attention to expand



Mastery Leads to a New Identity, Meaning and Purpose

The natural habitat of the uniquely successful human being



The Natural Habitat of Homo Sapiens

Working on a big challenge

That is personally meaningful

That is bigger than yourself

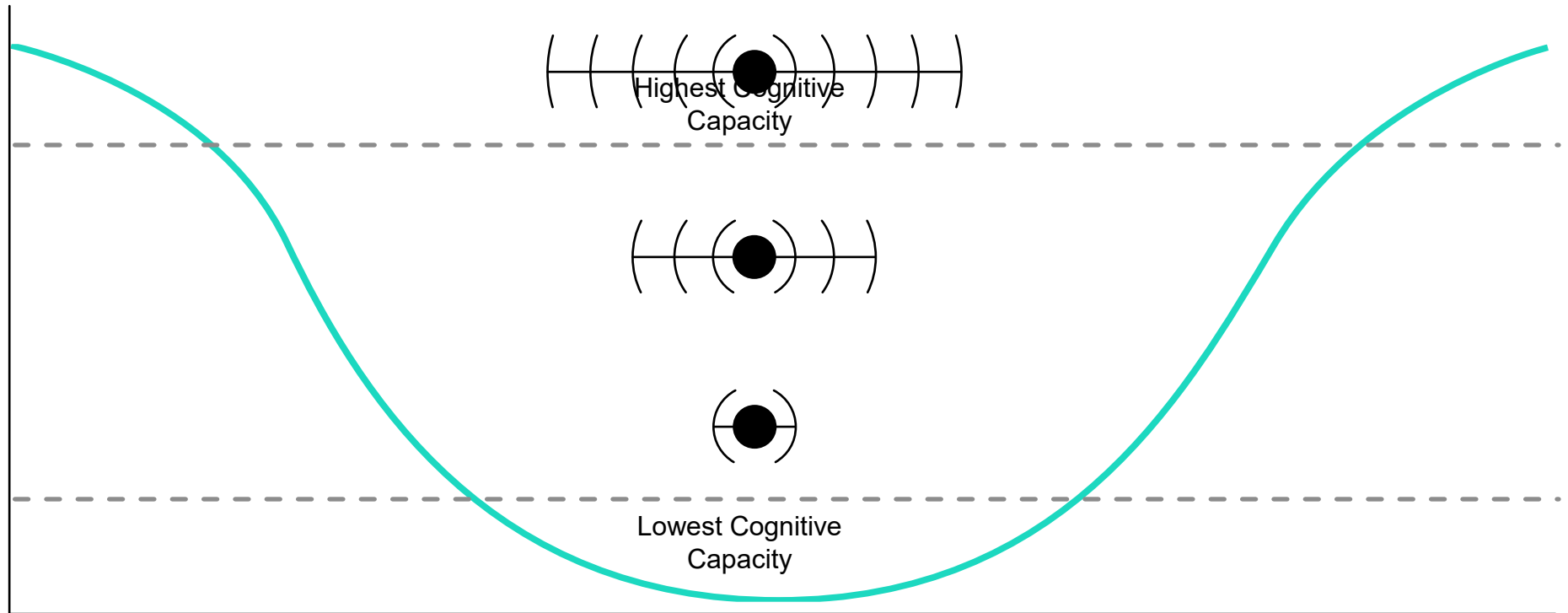
In collaboration with other people

That consumes skill and effort

That requires occasional rest and recreation

Cognitive Capacity and the Advisor's Job to Be Done

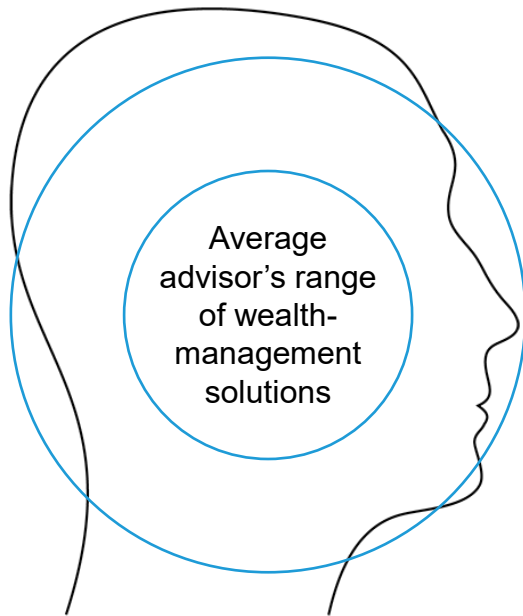
The emotional journey determines the advisor's job to be done



How Does The Emotional Journey Impact Messaging?

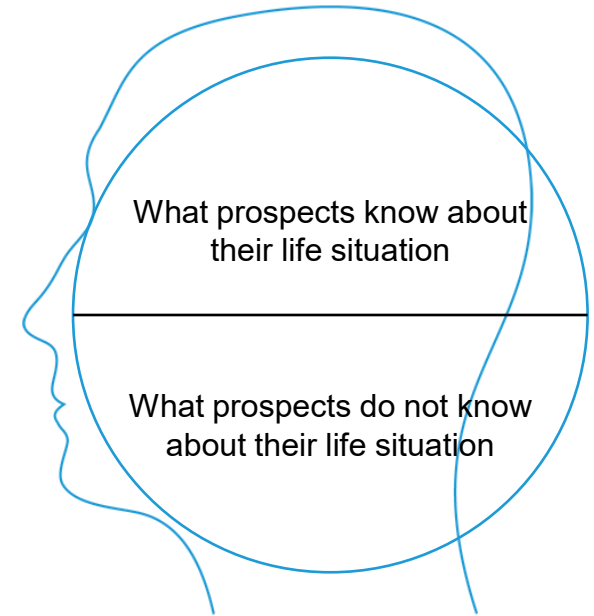
Understanding the advisor's and the prospective client's different perspectives

Knowledge of Wealth-Management Solutions



Full range of wealth-management solutions

Prospective Client's Life Situation



Effective Messages: Transformation Is Caused by Relevant Information

Focusing on wealth-management solutions alone will not achieve transformation

Knowledge of Wealth-Management Solutions

Prospective Client's Life Situation

Average
advisor's range
of wealth
management
solutions

Sending a message based on a narrow range of wealth-management solutions depends on hoping that it will be relevant to the prospective client

Investing strategy

What prospects know about their life situation

What prospects do not know about their life situation

Hope is not a strategy.

Source: Rick Page, *Hope Is Not a Strategy: The 6 Keys to Winning the Complex Sale* (2003)



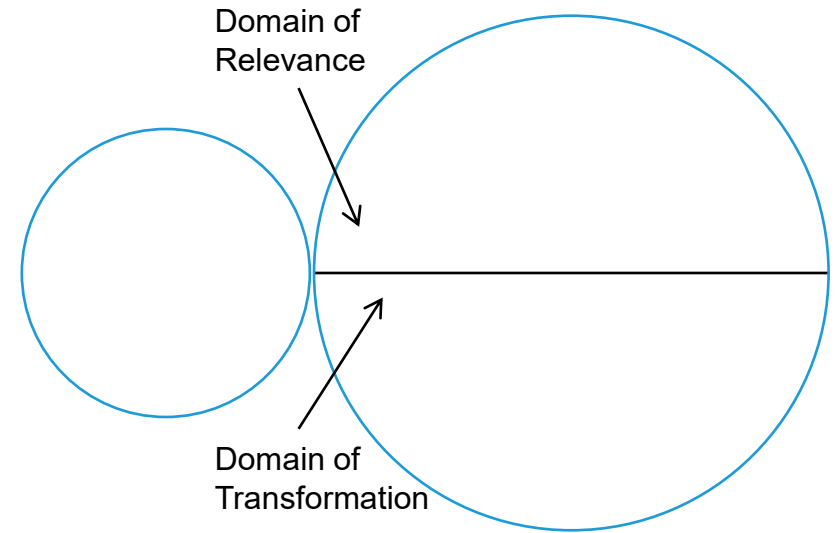
For Investment Professional use only.
Not for inspection by, distribution or quotation to, the general public.

Transformational Messaging Requires Knowledge of Two Domains

A narrow range of advice limits the chance of creating relevance

Knowledge of Wealth-Management Solutions

Prospective Client's Life Situation

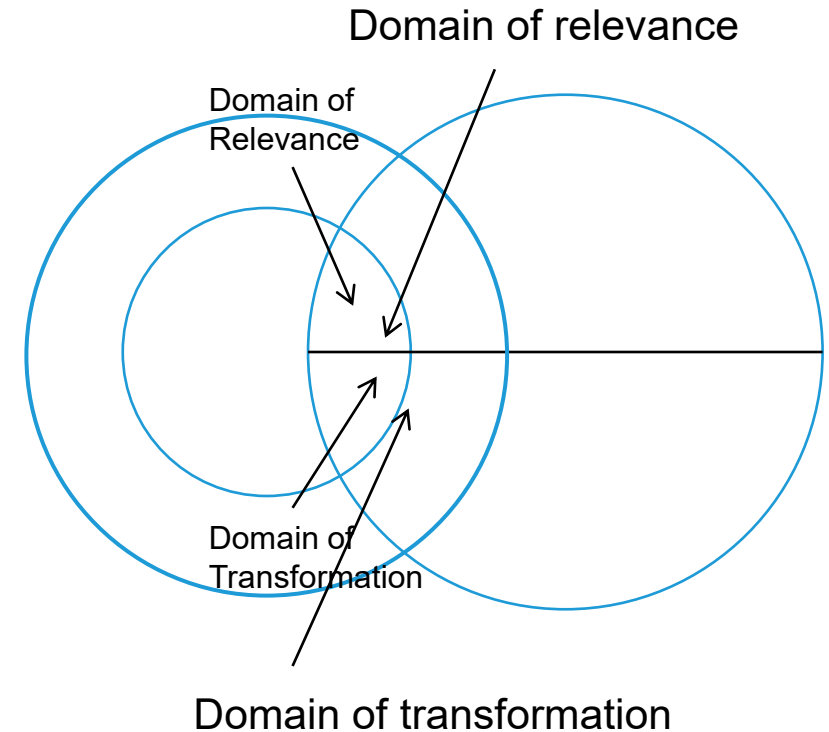


Expanding the Range of Solutions Increases the Meaningful Experiences

A broader range of solutions allows the advisor to offer new insights

**Knowledge of Wealth-Management
Solutions**

Prospective Client's Life Situation

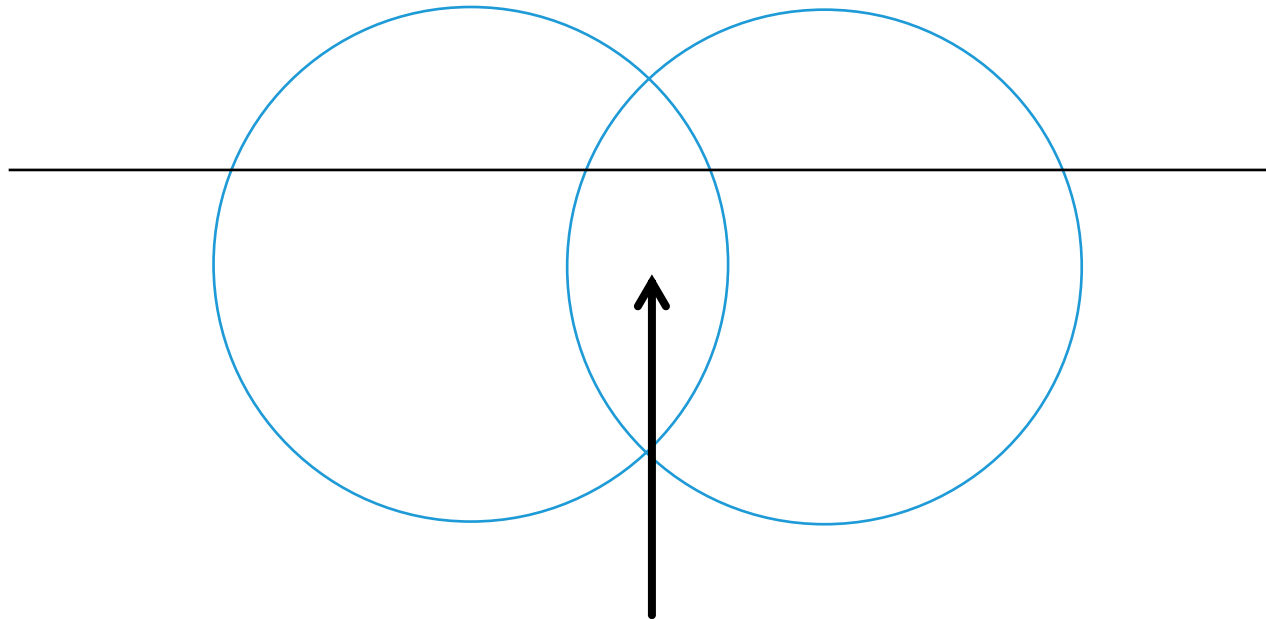


Greater Knowledge Increases the Potential for Transformation

The power of a target market: a tailored message that fulfills the requirements of transformation

Knowledge of Wealth-Management Solutions

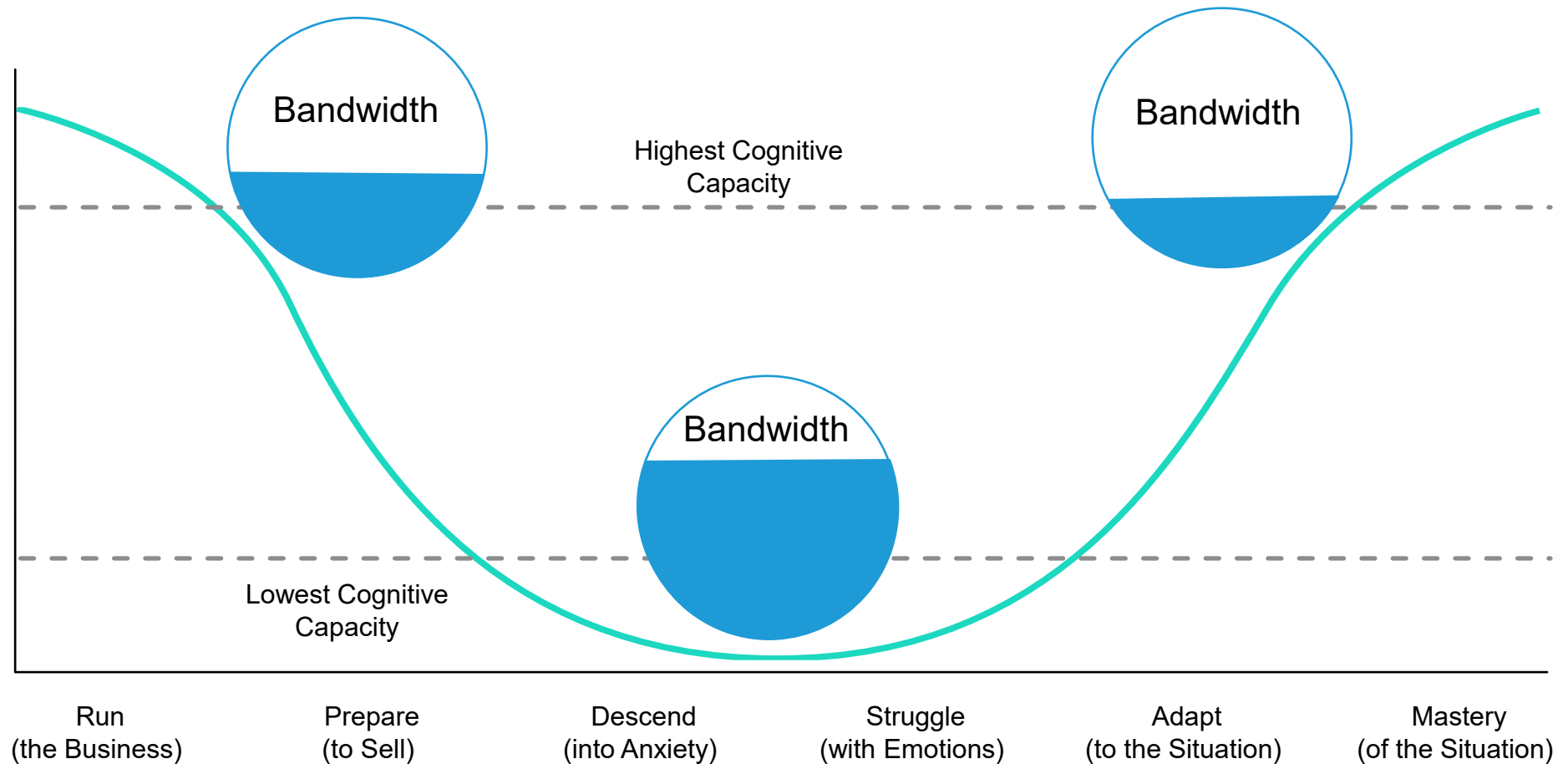
Prospective Client's Life Situation



The more you know about the client's life situation, the greater the potential for creating transformational messaging.

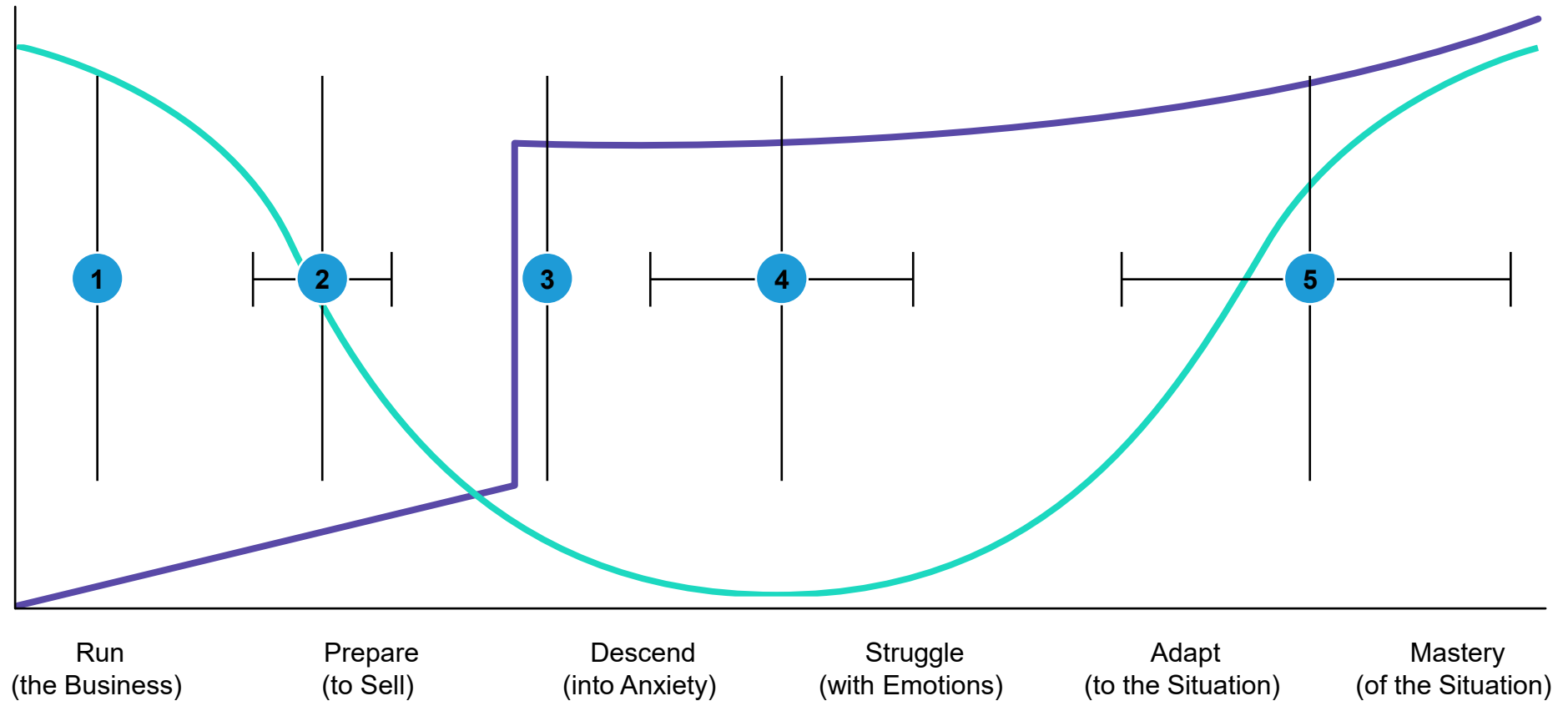
Effective Design: Messaging Is Determined by Cognitive Capacity

When the client achieves mastery, wealth management has become a new competency



When Is the Best Time to Reach Out?

The messaging strategy must match the cognitive capacity of the UHNW prospect



At Each Point on the Journey, the Structure Is the Same

The content is different at each location depending on the information the client can embrace

Advisor

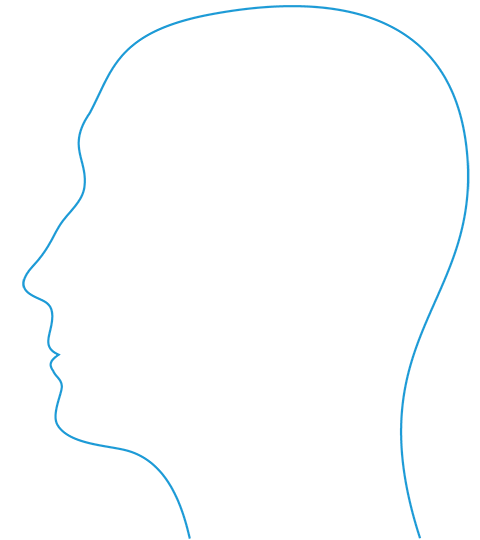
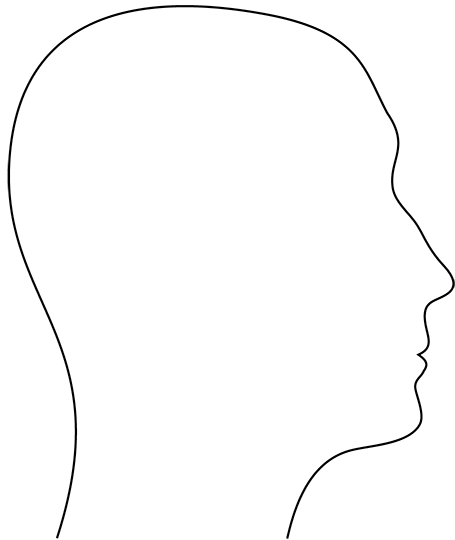
Client

Empathy (This is what I hear...)

1. These are the things you want...
2. These are the things you are concerned about...

Novelty (There's more to the story...)

3. These are some things you should also be concerned about...
4. ...for these reasons.
5. So, at this point, these are the things you need.
6. With all this in mind, this is what I propose...

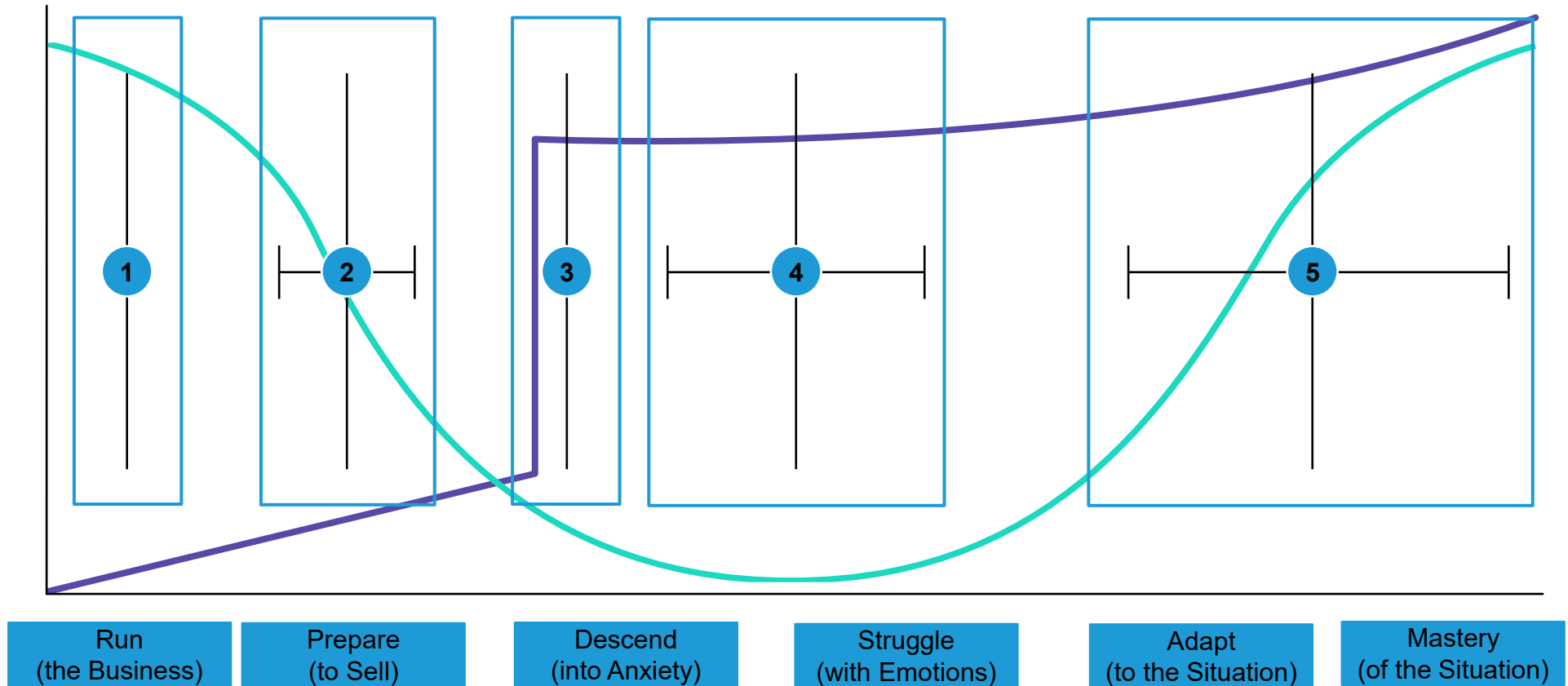


From “This is what I do” to “This is what you need.”



A Closer Look at Messaging

Each place in the process requires its own messaging strategy

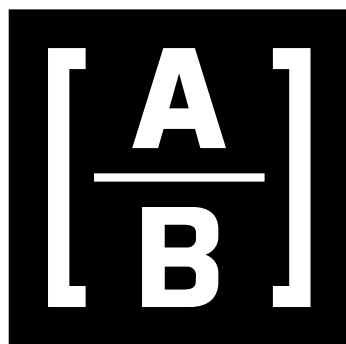


Introducing the AllianceBernstein Digital Coach®

A great resource for access to a wide array of business-management resources



- This interactive diagnostic experience identifies your current business-management challenges and provides easy-to-use resources to help you address those needs
 - An advanced search tool gives users access to dozens of the Advisor Institute’s business-management resources, which are simple to understand and easy to execute—all at no cost
- New programs are introduced every quarter, making this library an important resource to support your commercial success
 - There are two ways to access a resource:
 1. Select which of the four functional areas of running your business you are most interested in improving. This gives you access to the white papers, execution guides, presentations, videos and podcasts that will be most helpful for you
 2. Click on our AI-enabled search and ask your question. The Coach will provide a curated answer and tell you where you can find more information on the topic in one or more of our programs



ALLIANCEBERNSTEIN®

For Investment Professional use only.

Not for inspection by, distribution or quotation to, the general public.

This material was created for informational purposes only. It is important to note that not all Financial Advisors are consultants or investment managers; consulting and investment management are advisory activities, not brokerage activities, and are governed by different securities laws and also by different firm procedures and guidelines. Contact your branch manager and/or compliance department with any questions regarding your business practices, creating a value proposition or any other activities.

The [A/B] logo and AllianceBernstein® are registered trademarks used by permission of the owner, AllianceBernstein L.P.

© 2024 AllianceBernstein L.P. www.alliancebernstein.com

SS-614768-2024-10-02