

Why Are Gen X Investors So Dissatisfied With Their Advisors?

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April 27, 2011

On Wednesday, Cogent Research released a report showing that affluent Gen X investors who relied on their own judgment, instead of an advisor's in 2010, ended up ahead in terms of portfolio growth. The study is based upon an online survey of 4,025 affluent investors, including 738 affluent Gen X investors between the ages of 29 and 44.

In fact only 42% of affluent Gen X investors with a financial advisor said they were satisfied with their advisor, significantly lower than any other generation. Yet these clients aren't just sitting around and waiting for something to change. About 51% report they are on the fence or likely to switch primary financial advisors within the next year, much higher than any other generation. Why would they like to switch? Gen X investors say they are dissatisfied with the advisor's communication, investment performance, and ability to navigate and react to changing market conditions, a critical skill in this volatile market environment.

Gen X affluent investors saw their investable assets grow by about 11% on average in 2010, with self-directed affluent Gen X investors seeing 28% asset growth and Gen X investors with an advisor just 3% growth on average during that same time period, according to the report. This seems to be partially because self-directed Gen X investors allocated more funds to equity-based products, which carry more reward but also more risk, while their peers who have advisors were more careful to allocate to lower risk, lower return investments.

"The discrepancy between advised and self-directed investors does beg the question as to whether advisors are re-purposing investments strategies designed for older investors with lower risk tolerance or whether they're simply not paying enough attention to the unique needs of the this younger cohort," said Steven Sixt, Project Director at Cogent Research and co-author of the study, in a press release, "but either way, advisors are taking a big risk of alienating a generation of investors that are already inclined to go it alone," he added.

Affluent Gen X investors are an important part of the investor community, representing 18% of the overall affluent investor community. Affluent Gen X investors have acquired approximately 75% of the total

investable assets of 2nd Wave Baby Boomers aged 46 to 54. But the report shows that these investors have less-experienced advisors.

“Seasoned advisors have yet to prioritize Gen X investors, and for good reason, but those reasons no longer exist. It’s time for advisors to capitalize on this growing, wealthy subset of the affluent community,” said David Feltman, Managing Director at Cogent Research. “However, tailoring the approach will be key, with a focus on the products Gen X investors favor, the risk tolerance they are comfortable with, and the platforms they gravitate towards.”