

3 Financial Predictions to Make Your Business **BETTER** in 2024

In a rapidly changing financial climate, it is crucial for advisors to pay close attention to economic and technological developments that will impact clients' financial behaviors.

As we prepare for 2024, America continues to operate in a high-interest, high-inflation environment, with fears of a recession still looming. Now past the pent-up "revenge spending" that characterized the first few years after the pandemic, how will Americans think about saving? How will retirement planning evolve to meet the needs of an increasingly diverse workforce, especially as Millennials and Gen Z get serious about their futures? How can advisors prepare to integrate AI into their practices to stay ahead of the curve, save time, and deliver maximum value to clients?

Here we'll share 3 predictions that could impact the financial landscape in 2024, so you can be prepared to help your clients save more, build your book of business, and increase your AUM.

PREDICTION #1

Americans Start Thinking More About the Future



According to a 2023 study, 55% of Americans surveyed said that they're behind on saving for retirement (Simmons, 2023). During the COVID-19 pandemic, many people stopped or reduced their retirement contributions, because they needed access to cash in the short term. In the coming year, many Americans may be ready to get serious about saving again. In one survey, 72% of respondents said they were "likely" or "extremely likely" to save for retirement in 2024 (Voya, 2023). Only 28% of employed Americans surveyed said they would take a loan from their retirement plan next year, a big improvement from 45% in October 2022. Emergency savings accounts are also predicted to take center stage: 71% of those surveyed planned to contribute to emergency savings. Overall, this is a cautiously optimistic picture of retirement savings in 2024, as many Americans plan to recommit to their goals and make a plan for the future.

Since Millennials and Gen Z have had the least time in the workforce to build wealth, they reported the greatest likelihood of carrying credit card debt from month to month and the greatest levels of fear and uncertainty regarding their financial situation. However, the survey also found that this group is the most motivated to get right with their money in the coming year, expressing significant interest in using digital tools and other services provided by their employer to improve their financial health. Another study conducted in 2022 suggests that Gen Z is far more interested in healthy financial behaviors than other generations. In fact, 60% of those surveyed expressed interest in working with a financial professional in the future (Principal, 2022). It's worth keeping a close eye on this generation, as they're primed to save more aggressively for retirement in the New Year. In addition, they could eventually become wealth management clients, as they are eager to make good financial choices and get on track.

PREDICTION #2

Saving for Retirement Becomes Increasingly Personalized



In 2024, experts are predicting a trend towards increased personalization in retirement planning, especially as the diverse needs of individuals vary so greatly across generations. According to T. Rowe Price in their *U.S. Retirement Outlook Update*, “Consumers increasingly expect personalization in all aspects of their lives. The retirement experience is no different” (T. Rowe Price, 2023).

Participants will not only expect greater personalization in their portfolio management, diversification, and withdrawal strategy, but also in the types of services, communications, and resources they are offered. The study found that greater personalization of resources (such as tailored videos targeting a specific age or life stage) made participants twice as likely to take action. Tailored content may be the perfect first step toward gaining traction with participants and giving them tools to start saving for retirement in a way that fits their life stage.

Personalization also dovetails with another rising trend: holistic wellness. Holistic wellness is shaping up to be the new normal for retirement planning, especially as Gen Z joins the workforce with greater expectations around tailored products and services. In a report by Principal, 75% of those surveyed predicted that retirement plans could become just one piece of a holistic suite of benefits that also includes credit and debt counseling, budgeting, healthcare planning, emergency savings plans, and investment education (Principal, 2023). To prepare for this shift and stay relevant in a crowded field, it's worthwhile to consider offering supplemental resources, education, or training to support plan sponsors and their participants.

PREDICTION #3

Generative AI Becomes Your New Virtual Assistant



Unsurprisingly, most financial organizations report that generative AI is becoming and will continue to be enormously important in financial advisory roles. In a 2021 survey of industry leaders, 84% of those in financial services stated that AI is moderately to fully functional in their organizations (Krishna et al, 2021).

Similarly, a recent report by Advisor 360 indicated that advisors are interested in using AI (64% of advisors surveyed believe generative AI will help their practice), but most are hesitant to adopt it because of internal regulations or compliance issues. 83% of those surveyed said they have access to AI through Natural Language Generation (NLG) tools, but only 44% indicated that they currently use these tools for client communications (Advisor 360, 2023).

Already it is clear that using AI could improve an advisor's accuracy and speed on many day-to-day tasks including personalized communication with clients and analyzing data. It's also perfectly suited to deliver key insights that could aid in portfolio optimization, risk analysis, and trend prediction.

Natural Language Generation, commonly known as NLG, is the use of AI programming to produce natural, conversational responses based on input data. Popular AI-enabled tool, ChatGPT, uses NLG to converse with users.

Advisors overwhelmingly indicated that a top technological challenge facing their organizations is a lack of AI-enabled tools and are eagerly anticipating the much-needed regulations expected in 2024. It's almost certain that this tool will become more and more useful for day-to-day tasks, and early adopters will be poised to edge out the competition.

CONCLUSION

Taken together, these trends can provide helpful direction for advisors. As Americans leave behind pandemic-era fears and Gen Z joins the workforce with different expectations than previous generations, it is essential to adapt to better meet the needs of an evolving client base.

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