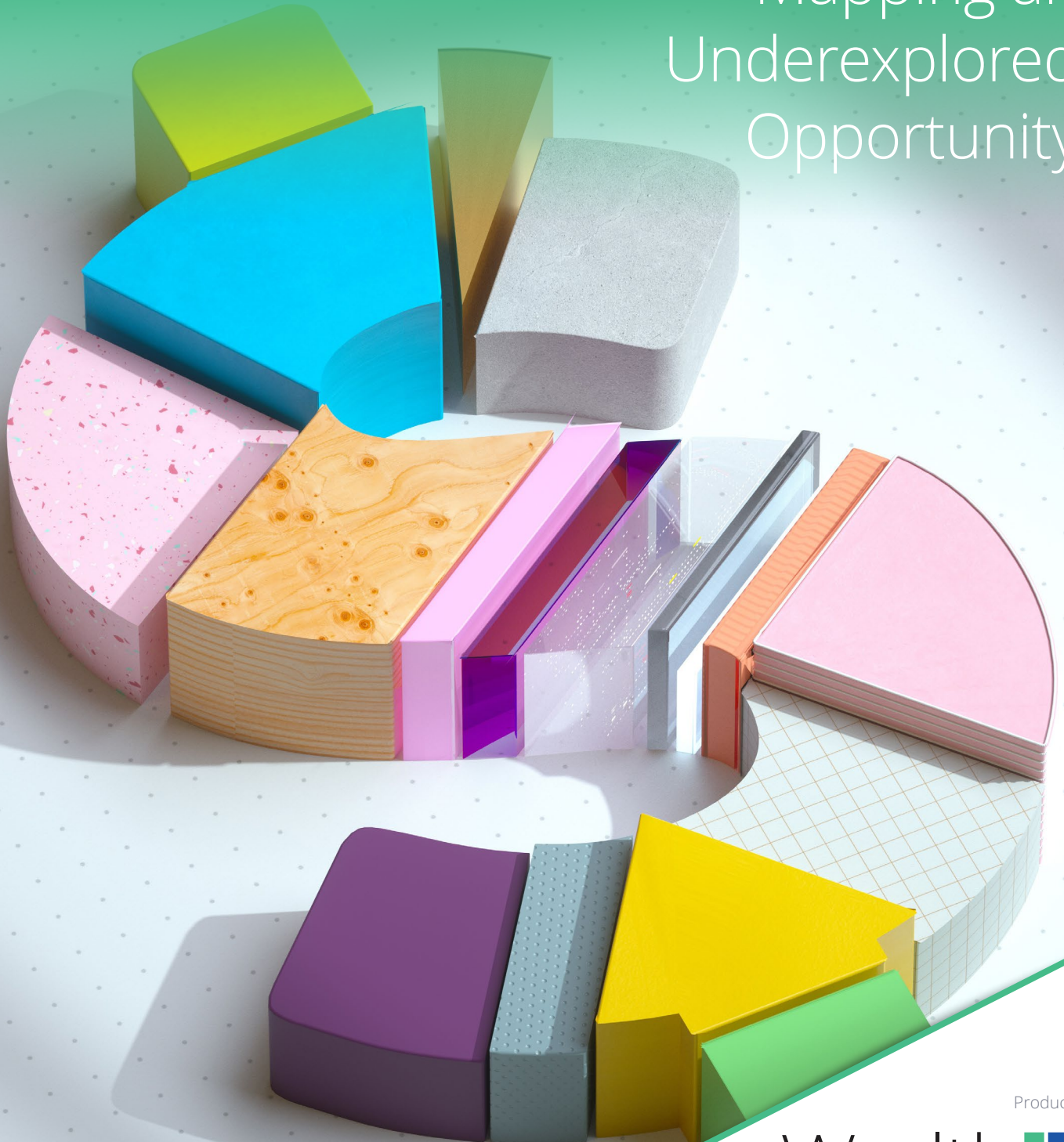


Client Cash:

Mapping an
Underexplored
Opportunity



Produced by:



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Wealth
Management 

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Survey Highlights

Advisors are talking about cash — but are they doing enough?

In the past year, 95% of advisors have asked clients about their cash holdings with an overwhelming 95% of advisors/wealth managers also believing it to be their professional responsibility to help clients with cash.

When it comes to held-away assets, **cash is the most discussed asset class**, with 61% of advisors saying they often discuss cash issues with clients, compared to discussions about insurance (49%) or investment real estate (21%).

Advisors are **vastly underestimating how much of their typical clients' liquid net worth is held in cash**. While survey advisors/wealth managers believe that figure to be about 7%, a 2023 report by the Capgemini Research Institute found that HNW clients held about 34% of their total portfolio in cash and cash equivalents in January 2023 — up from 25% from 2018 to 2022.

Almost three-quarters of those surveyed (70%) said they definitely or probably believe their clients would be interested in earning 4% to 5% in an FDIC-insured account without withdrawal or transfer limitations through their firms; **92%** of advisors report that their clients have expressed interest in high-yield savings accounts (HYSAs). In addition, about half of advisors/wealth managers estimated 50% or more of their clients have expressed interest in shifting cash to a higher-yielding account under the advisor's in-house management.

The vast majority of advisors/wealth managers (71%) believe that **offering an in-house cash management solution for their clients would make them more competitive** with other advisory firms as well as more competitive with wirehouses (68%) and robo advisors (62%).



95%

of advisors have asked clients about their cash holdings



61%

of advisors say they often discuss cash issues with clients



34%

of HNW clients' total portfolio is held in cash



92%

of advisors report that their clients have expressed interest in HYSAs



71%

of respondents believe that offering an in-house cash management solution would make them more competitive

Introduction

Since the Federal Reserve began raising interest rates from near zero in March 2022, cash has emerged from hibernation as an asset class, now meriting client and advisor attention.

To find out how advisors perceive their clients' attitudes toward cash and can meet clients' changing cash management needs, Wealth Management IQ recently conducted a nationwide survey of advisors. The survey was conducted in partnership with Flourish Cash, the cash management offering of Flourish, a platform that provides innovative access to financial products that help registered investment advisors (RIAs) secure their clients' financial futures.

The results show that cash is an important topic for clients, and easily the most frequently discussed non-portfolio asset. Advisors see strategic opportunity in offering a cash solution, with a majority recognizing that doing so would make their firm more competitive with wirehouses, robo-advisors, and other firms. However, the most important takeaway is the gap between the number of advisors who think it's their responsibility to advise on cash and the number who are offering specific solutions to clients.

This white paper presents the findings of the survey as well as key takeaways from the data intended to improve outcomes for clients, advisors, and advisory firms.

The most important takeaway is the gap between the number of advisors who think it's their responsibility to advise on cash and the number who are offering specific solutions to clients, or even discussing it with them.

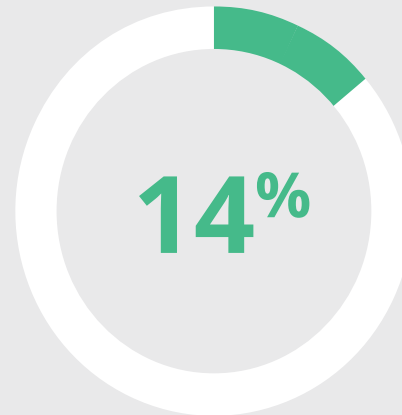


Analyzing Cash in Client Portfolios

Survey respondents report that an estimated median of 7% of their typical clients' liquid net worth is held in cash. Anecdotal evidence and statistical data gathered from investors, however, indicate that actual cash holdings are much greater. Advisors typically find that current clients add substantial cash positions to these accounts from sources of which their advisors were previously unaware. A 2023 study by Capgemini Research Institute found that high net worth clients held about 34% of their total portfolio in cash and cash equivalents in January 2023 — up from 25% from 2018 to 2022. **Research is clear from our survey and the Capgemini study that amounts held away far exceed advisor estimates.**

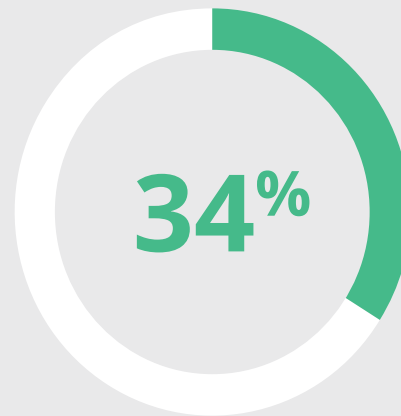
Advisors think that only a small percentage of their clients hold cash balances greater than \$250,000. While this percentage is likely underestimated, it also represents many advisors' highest net worth and most important clients. These clients may be vulnerable to bank failures and earning less on their cash, opening an opportunity for advisors to add more value.

Disparity Between Perceived & Actual Investor Cash Holdings



Advisors' Take on Clients' Cash Holdings

Vast majority (82%) of advisors say clients hold no more than 14% of liquid net worth in cash



Actual Investor Cash Holdings

HNW individuals hold 34% of net worth in cash, according to Capgemini Research Institute



Seeking higher returns, respondents estimate that a mean of 31% of their clients currently keep a portion of their cash in a high-yield savings account (HYSA) outside the portfolio. In addition, the typical respondent reports an estimated median of 37% of their clients have asked about HYSAs.

Why do clients keep large cash balances? Logic and emotion play a part.

The survey found that the top three reasons clients offer holding relatively large amounts of cash are concerned about a market downturn (65%), as an emergency fund (61%), and to fund an upcoming major purchase or expense (56%). Other reasons include being able to pay taxes owed (33%) and as a cushion because of job uncertainty (18%). Underlying many of these reasons for holding cash is fear. Of all asset classes, cash is the most liquid and can be readily tapped in an emergency. For many, holding cash provides a comforting cushion of safety and security. For some, even a generous rainy-day cash fund is inadequate to quell fears, necessitating having cash at flood levels to provide a feeling of safety. Some clients, in fact, may keep their true cash position a secret from their advisor out of fear of being judged as being overly cautious about safety.



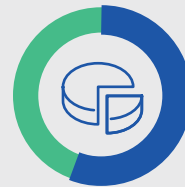
Client Reasons for Holding Large Amounts of Cash



65%
Concern about a
market downturn



61%
To use as an
emergency fund



56%
For an upcoming major
purchase or expense



33%
Taxes

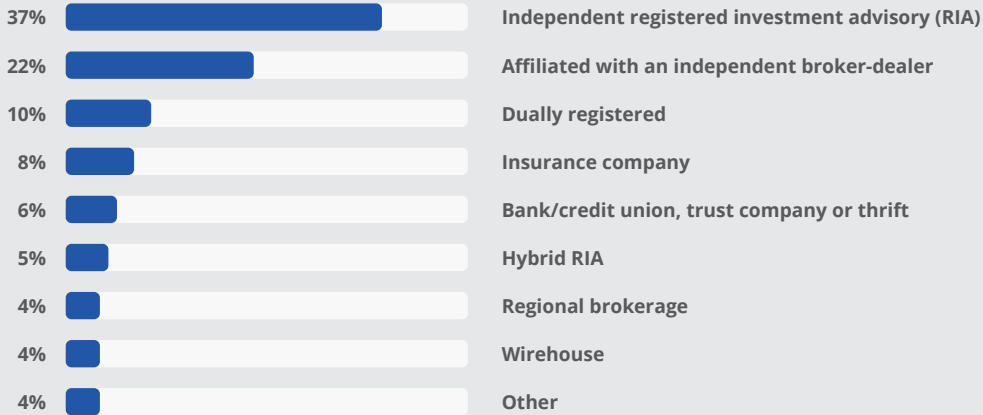


18%
Job
uncertainty

Why do clients keep large cash balances? Logic and emotion play a part.

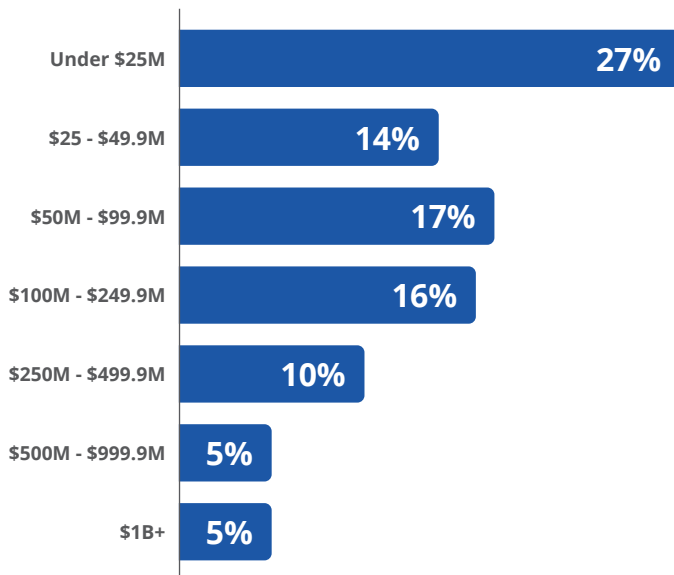
Respondents at a Glance

Firm Type



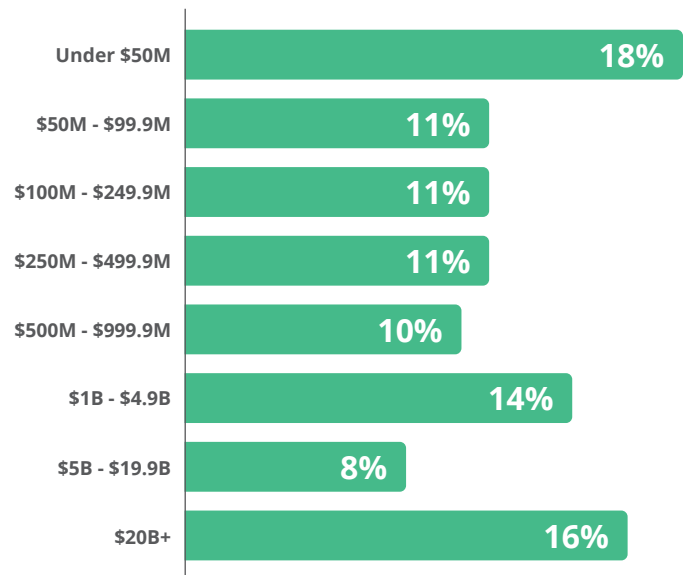
Assets Personally Managed or Advised

Estimated mean: \$185M Estimated median: \$75M

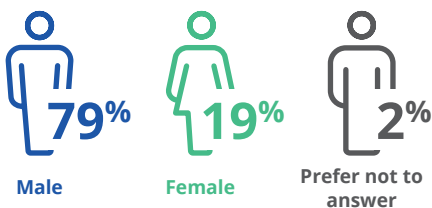


Assets Managed or Advised by Firm or Branch

Estimated mean: \$4,275M Estimated median: \$375M

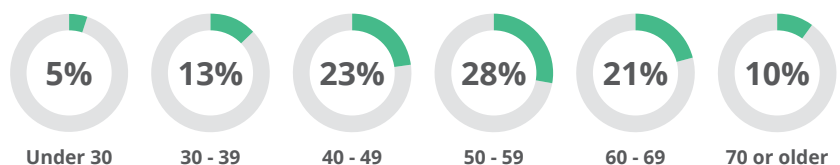


Respondent Gender



Respondent Age

Estimated median: 55 Estimated mean: 53



Advisors' Roles in Managing and Advising on Cash

An overwhelming 95% of respondents also believe it to be their professional responsibility to help clients with cash. However, only 5% of advisors report asking every client about their cash holdings.

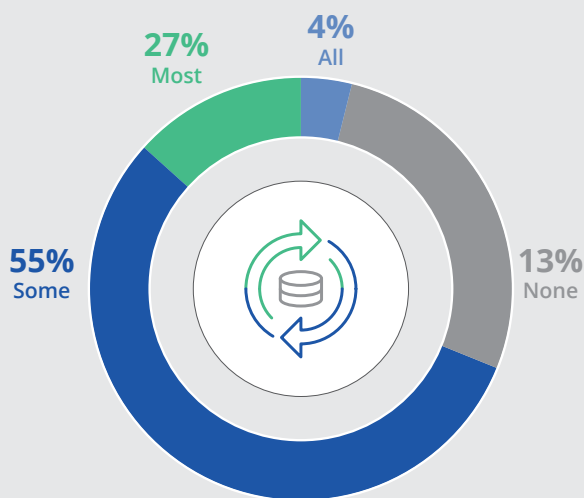
As interest rates have risen, 31% of respondents report that most or all their clients have asked about shifting the cash that the respondent manages to a higher-yielding account. The types of investments or savings vehicles respondents most commonly recommend to their clients are specialized, higher-yielding money market funds (67%), Treasury bills (49%), certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC) available through the respondent's firm (43%), other short-term investments (27%), and FDIC-insured savings accounts available through the respondent's firm (23%).

Dealing with some clients' large cash positions is not unusual for many advisors. Most respondents (58%) report that some clients send them large cash positions to hold as allocations. In addition, virtually all respondents (92%) report managing significant, accommodated cash positions at their custodians for at least some of their clients.

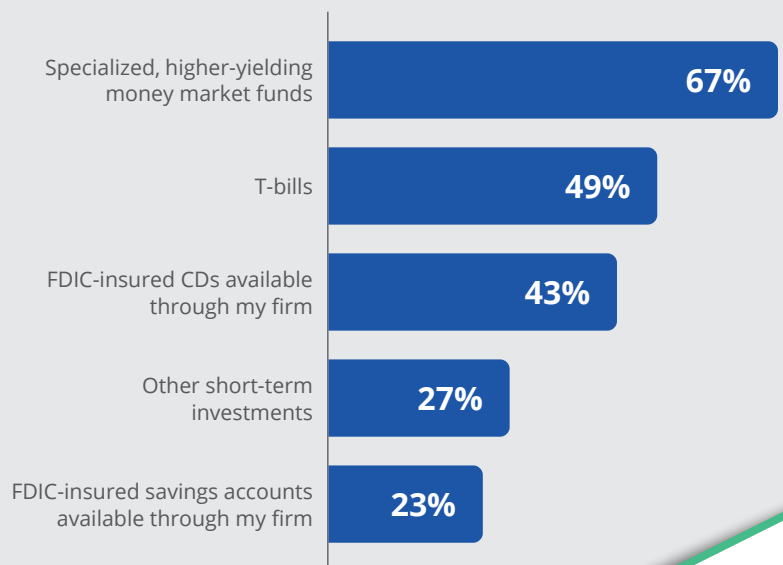


Recommendations to Clients for Shifting Cash

Volume of Clients Asking About Shifting Cash Under Respondent Management to a Higher-Yielding Account



Types of Investments Recommended to Clients for Shifting Cash

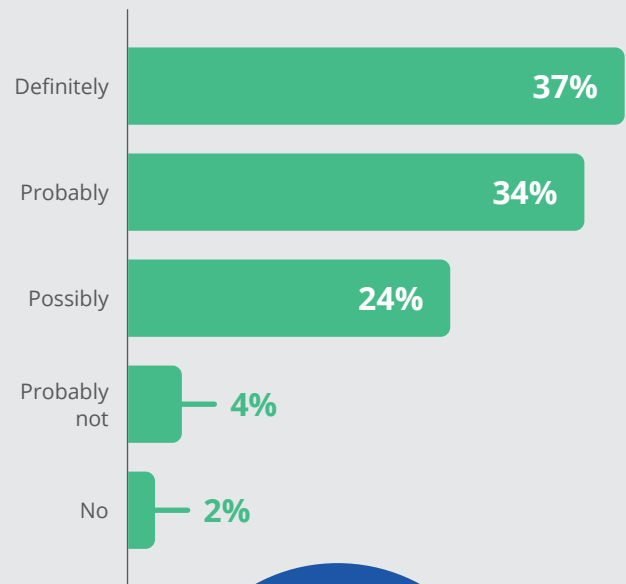


Cash as a Potential Competitive Tool

While most advisors and their firms rarely emphasize or even mention cash management as one of their strengths or offerings, survey responses indicate that clients and prospects may be quite receptive to signals of capability and expertise in this area. Most (**71%**) believe that offering an in-house cash management solution for their clients would make them more competitive with other advisory firms, as well as more competitive with wirehouses (**68%**) and robo advisors (**62%**). Most respondents (**70%**) also believe that their clients would be interested in the ability to earn 4% or 5% in an FDIC-insured account without withdrawal or transfer limitations if their firm were to offer it. Among respondents, **37%** believe their clients “definitely” would be interested.

Given the likelihood that clients’ held-away cash levels exceed advisors’ assumptions, offering cash solutions — and making clients and prospects aware of the options — would seem to be an effective way to attract clients’ held-away cash balances as well as attract prospects who are looking for cash solutions.

Potential Client Interest in FDIC-Insured Cash Account



70%
believe clients
would likely be
interested in
this offering

Takeaways and Recommendations



Clients are looking for advice about maximizing cash holdings.

With the rise in interest rates over the past year, cash once again is an asset class that merits attention. Because of the many vehicles from which to choose, 52% of clients often ask for help in making the best choice for their specific needs and time frames, with another 34% asking for help occasionally. However, advisors rarely have a solution to offer clients. Advisors should not ignore this opportunity to retain affluent clients and provide them with a service they will value.



Client cash holdings are probably greater than advisors realize.

Many advisors believe they have a good handle on how much cash their clients hold away from them. When firms offer new cash investment alternatives, however, they often discover the true magnitude of a client's total cash assets — especially among their most affluent clients. Since there is little or no downside to adding new cash management options, the upside is worth exploring.



Don't ignore or minimize clients' emotions surrounding cash.

While it may strike many advisors as irrational for clients to keep hundreds of thousands of dollars in cash, many clients feel a strong emotional need to maintain a level of liquidity and safety that only cash can provide. Rather than try to persuade clients that their fears or concerns are not justified, advisors should meet them where they are and aim to serve their needs with the safest and highest-yielding cash instruments possible.

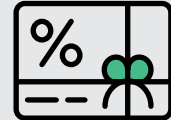


Cash management can be an effective marketing and prospecting tool.

Just as many clients are seeking advice about cash management, so too are prospective clients. Since few advisors promote or even mention that they offer cash management advice and solutions, those who do are more apt to attract clients for whom cash is important. As the survey results indicate, a small portion of that group often have very large held-away cash positions — and often very sizable other assets — making them well worth the effort.

About the Survey

Methodology, data collection, and analysis by Wealth Management IQ in cooperation with Flourish. Data collected August 20 through September 5, 2023. Methodology conforms to accepted marketing research methods, practices, and procedures. Beginning on August 20, 2023, WealthManagement.com emailed invitations to participate in an online survey to active users. By September 5, 2023, WealthManagement.com had received 418 completed responses. To encourage prompt response and increase the response rate overall, email invitations and survey materials were branded with the WealthManagement.com name and logo to capitalize on user affinity. The first 100 respondents were afforded the opportunity to receive a \$10 Starbucks gift card as a token of appreciation for their participation in the survey.



About Flourish

Flourish provides innovative access to financial products that help Registered Investment Advisors secure their clients' financial futures. Flourish Cash¹ is its invitation-only cash account designed exclusively for clients of independent RIAs, offering rates up to 10 times the national savings account average² while covered by FDIC insurance through its Program Banks.

Flourish Cash has no account fees or minimums, provides easy access with unlimited transfers, is integrated with key advisor tools, and, through Flourish relationships with participating Program Banks, makes available FDIC insurance of up to \$5 million for an individual account or revocable living trust account and up to \$10 million for a joint account with two owners or joint revocable living trust(s), up to \$20M for a two-person household with 2 individual and one joint account³. For more information about Flourish and how Flourish Cash can help you attract and retain affluent clients, please contact **Jacob** at jacob.wilson@flourish.com or **(833) 808-5700**.

1. A Flourish Cash account is a brokerage account offered by Flourish Financial LLC, a registered broker-dealer and FINRA member. **Flourish Financial LLC is not a bank**. Check the background of Flourish Financial LLC and its personnel on FINRA's [BrokerCheck](#). The cash balance in a Flourish Cash account will be swept from the brokerage account to deposit account(s) at one or more third-party Program Banks that have agreed to accept deposits from customers of Flourish Financial LLC. The accounts at Program Banks will pay a variable rate of interest.
2. Federal Deposit Insurance Corporation, National Deposit Rates: Savings [SNDR], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SNDR>, 01/16/2024.
3. The cash balance in a Flourish Cash account that is swept to one or more Program Banks is eligible for FDIC insurance, subject to FDIC rules, including aggregate insurance coverage limits. FDIC insurance will not be provided until funds arrive at the Program Bank. There are currently at least 20 Program Banks available to accept deposits for business Flourish Cash accounts and personal Flourish Cash accounts, and we are not obligated to allocate customer funds across more than this number of Program Banks if there is a greater number of banks in the program. Customers are generally eligible for FDIC insurance coverage of \$250,000 per customer, per Program Bank, for each account ownership category. Thus, business customers are eligible for up to \$5,000,000 of FDIC insurance and personal customers are eligible for (i) up to \$5,000,000 of FDIC insurance for an individual account or revocable living trust account and (ii) up to \$10,000,000 of FDIC insurance for a joint account with two owners or joint revocable living trust(s). The total FDIC coverage for a two-person household is calculated assuming that each household member has an individual account and that both household members share a joint account. If the number of Program Banks decreases for a customer (for instance, because a customer chooses to exclude Program Banks from receiving their deposits), the amount of FDIC insurance through Flourish Cash could be lower. Typically, all of a customer's deposits at a Program Bank in the same ownership category (including deposits held outside Flourish Cash or held through multiple Flourish Cash accounts with the same ownership category) count toward the FDIC insurance limit for deposits at that Program Bank. Customers are responsible for monitoring whether they maintain deposits at a Program Bank outside of Flourish Cash and should consider choosing to exclude that Program Bank from receiving their deposits to avoid exceeding FDIC insurance limits. Although Flourish Cash is offered through a brokerage account and cash held in brokerage accounts often has the benefit of SIPC protection, until such time as we offer securities products, customers likely will not have the benefit of SIPC protection. SIPC protection is not available for cash held at the Program Banks. Our current Program Banks can be found here. For additional information regarding FDIC coverage, visit <https://fdic.gov/>.



Wealth Management IQ is a dedicated division of Informa Connect that provides research, content creation and marketing services to the wealth and asset management communities. WMIQ has a truly unique combination of:

- Deep research and analytical capabilities
- Extensive knowledge of the financial advice industry
- Content strategy and direct distribution to over 400K wealth management professionals

Our mission is to educate and inform financial advisors with our research content — and provide the companies that support and empower them with unparalleled access, intelligence and understanding of the wealth management market. Through the audiences of WealthManagement.com, Trust & Estates and WMRE, WMIQ has the ability to tap into some of the most influential communities of financial advisors to conduct targeted surveys, focus groups and one-to-one interviews to inform our research projects.

Our audiences of RIAs, IBDs and wirehouse advisors — and their affinity for our brands — positions WMIQ to access more engaged advisors than any other industry research provider. This reach across the entire wealth management ecosystem is a unique differentiator of WMIQ — and allows us to discover the true drivers of change, behaviors and influence throughout the industry.

If you would like to partner with WMIQ, please contact:

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