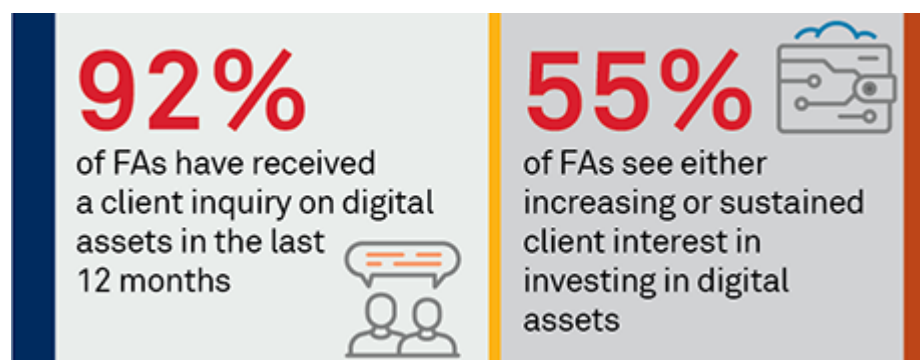


Digital Asset Investing

Financial Advisors Strive to Meet Client Needs

December 15, 2022

Executive Summary:



One can only describe the recent market volatility and business failures in digital assets as troubling. Despite the volatility in the midst of our research fielding process, however, Coalition Greenwich sees sustained or increasing interest in this asset class among investors served by financial advisors (FAs) in the United States.

In an effort to identify the perspectives and preferences for digital assets among FAs, we conducted an independent study on behalf of Talos, gathering responses from 537 FAs in the U.S. serving high net worth (HNW) and mass affluent (MA) clients. Our study reflects insights from an array of FAs, comprising independent, bank/wirehouse, retail, institutional, and insurance firms.

Even with the market corrections in August, interest in digital assets remained robust and sustained. Ninety-two percent of FAs have received a client inquiry on digital assets in the last 12 months, with 55% of FAs also seeing either increasing or sustained client interest in investing in digital assets versus last year. Interestingly, end clients appear to see this asset class meeting a need in their portfolios, whether for diversification, outsized returns, or even just experimenting with exposure to next-generation technologies.

In response, FAs have been mastering investment approaches and identifying products to meet this demand. Thirty percent have recommended or will recommend a specific investment product to clients for exposure to digital assets in the next three months.

At the same time, some FAs simply don't believe they have their own firm's backing to develop investment strategies for digital assets. Compliance, even beyond risk, is the biggest blocker of digital asset investment strategies to date. However, other knowledge and technology platform gaps persist, which will need to be overcome even if compliance gives the green light to FAs in the future.

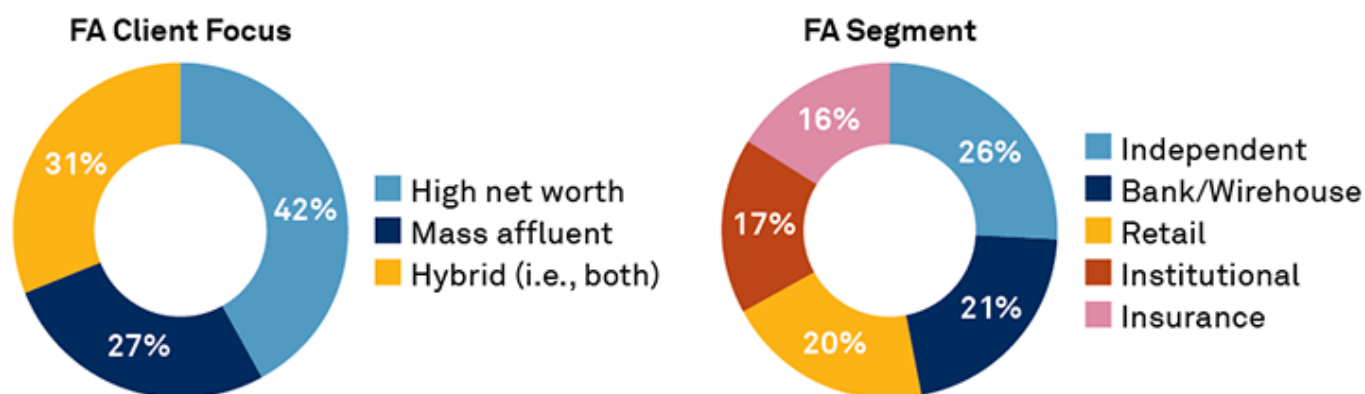
While exchange-traded funds (ETFs) and trust products are popular approaches (and FAs will clearly want

more registered and compliant products), FAs also want to be able to access the original form of digital assets—cryptocurrencies—in client portfolios. Moreover, they would prefer to manage these assets alongside other assets in the same systems. Because the crypto market is unique in terms of data and portfolio systems to date, this will be a difficult challenge. However, it is logical for advisors to seek the same systems to support clients without introducing additional complexity, so that digital assets can be truly ingrained into the FA-client experience.

Methodology:

Coalition Greenwich gathered responses from 537 financial advisors in the United States during August 2022. Of those, 42% serve high net worth (HNW) clients, 27% serve mass affluent (MA) clients, and 31% employ a hybrid client approach. Ensuring a balanced response, the study reached FAs at various types of firms, including independent, bank/wirehouse, retail, institutional, and insurance firms.

Respondent Profiles



Note: Based on 537 respondents.

Source: Coalition Greenwich 2022 Financial Advisor Digital Assets Study

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