

HOW A DIVERSE CLIENT BASE MAY BENEFIT YOUR PRACTICE

Building a more diverse client base opens your book of business to demographics with trillions in buying power who are underserved by the financial-planning industry. Diversity and inclusion efforts also are likely to improve your standing with millennials of every background and identity. Younger clients notice, and value, businesses that prioritize diversity—even when they don't directly benefit from it. This is a good way to make in-roads with the younger generations of your clients.

Another upside to diversity is it can help in maintaining a stable client base during the years and decades to come. Now let's talk about three different types of diversity and why they're important components of a strong client base.

Gender Diversity

As you may already know, women have been growing their financial power for years and currently control assets worth \$10.9 trillion according to a report from McKinsey & Company. And that number could more than double during the next decade as trillions in personal wealth passes from male to female baby boomers, and younger women are increasingly primary income earners and financial decision-makers. Much of this shift is expected to take place during the next three to five years, maybe a bit more after the financial setback from COVID-19. Nonetheless, it is increasingly important to prioritize building relationships with prospective female clients. We offer a breadth of resources on this topic that can provide insight. To start, take a look at this brochure titled [“Why Focus on Women as Investors?”](#)

Racial and Ethnic Diversity

Every racial and ethnic minority group in the United States is [increasing its consumer buying power](#). Many of these groups also are growing as a percentage of the population, making them an increasingly important client base for financial professionals as time goes on.

More than 60% of Latino households are at risk of being unable to maintain their current standard of living in retirement, along with 54% of Black households, according to the latest available data from the National Retirement Risk Index calculated by the [Center for Retirement Research at Boston College](#). Currently, the groups are underrepresented not only in the financial-planning profession, but also in financial professionals' client bases. By bridging the gap between these minority groups and professional financial planning, financial professionals open themselves to new, long-lasting business relationships and the opportunities that follow.

The wealthiest three million African American households have an average of \$395,000 in wealth. According to Nielsen, [African Americans' purchasing power](#) was \$1.3 trillion in 2018, an increase of 114% since 2000. In the same period, this market saw a boom in business ownership and a steady increase in educational attainment.

Latinos, the largest minority market in the United States, shared [\\$1.5 trillion in purchasing power](#) in 2018. And by 2023, that number may grow by \$400 billion. The wealthiest 2.1 million Latino households possess an average of more than \$400,000 in wealth.

Asian Americans represented \$1 trillion in purchasing power in 2018 according to the CFP. That 267% increase since 2000 far outstrips white Americans' 89% increase during the same period.

Age Diversity

There's a certain self-evident value in building an age-diverse client base. Attracting clients from each new generation as it comes of age ensures the continued viability of your practice. But if you're not consciously focusing on this metric, now is a great time to start. It can be even more effective when you leverage current client relationships to engage multiple generations within a single family.

Indeed, baby boomers are expected to pass \$68 trillion in assets to younger generations in the next 25 years in what Cerulli Associates calls the [Great Wealth Transfer](#). This transition is especially critical given that few heirs stay with their benefactor's financial professional. Seeking out Generation X and millennial clients, as well as serving your older clients' heirs, is essential.

Whether it is gender, racial, or age diversity that will drive your client-base growth, there is no doubt that diversity can only be an asset to your practice. As The Official Sponsor of Retirement, Pacific Life will be here to help your clients meet their retirement goals and provide opportunities to help grow your practice.

THE IMPORTANCE OF A DIVERSE CLIENT BASE

\$10.9T¹

The value of assets
American women control.

\$3.9T²

The combined
buying power
of minority groups.

\$68T³

The amount of wealth in
dollars that baby boomers
are expected to transfer to
younger generations over
the next 25 years.

Sources:

¹Baghai, Pooneh. *Women as the next wave of growth in the US wealth management*. McKinsey & Company, July 29, 2020.

²Weeks, Matt. *Minority markets see economic growth*. University of Georgia, March 21, 2019.

³The Great Wealth Transfer. Cerulli Associates Report, 2018.

Additional Resources and Links

[Nielsen: It's in The Bag: Black Consumers Path to Purchase](#)

[Center for Financial Planning: Racial Diversity in Financial Planning](#)

[Women. Confidence. Retirement.](#)

For more information about retirement planning,
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