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## Using Digital Assets to Grow AUM and Engage Digitally Native Investors

Your Connection to the Digital Asset (r)Evolution

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# Arbor Digital: Trusted Partner



Arbor Digital, launched in November 2020, is a division of federally registered Arbor Capital Management, Inc. (ACM) Based in Alaska and Incorporated in 1998 with \$325m AUM\*.



Arbor Digital's sole focus is on the emerging asset class of digital assets, or crypto assets. Our mission is to be the connection for individual investors and registered investment advisors to safely and securely engage the world of digital assets.

**7 RIA Firms**  
**\$50m - \$2b AUM**

Trusted by 7 RIA firms, both state and SEC registered, in the US ranging from \$50m AUM single practice to \$2b AUM multi-team firms.

**\$7m AUM**  
**300+ Households**

AUM allocated across qualified and non-qualified accounts. Advisors choose between two different strategies: Flagship (dual asset) and Compass (multi-asset)

**98% Retention Rate**  
**20+ years serving**

Arbor Digital team brings proven success record in financial services supporting advisors and clients in both traditional and crypto investment journey's.

# Our Team



**Matthew Kolesky, CDAA®, CBDA**  
*Co-Founder*



**Susan Liang**  
*Operations Director*



**Marc Nichols, CIMA®, CDAA®,  
WMCP®, CBDA**  
*Product Director*

## **Credentialed Expertise in Digital Assets and Traditional Finance**

Our team consists of fully licensed and credentialed professionals in traditional finance and digital assets with at least 10 years experience in traditional finance. The **Certificate in Blockchain and Digital Assets** is offered by the [Digital Assets Council of Financial Professionals](#) and the [Certified Digital Asset Advisor \(CDAA\)](#) program is a leading provider of digital asset education for financial professionals around the world and is the only community-owned designation in the financial services industry.

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# Today's Agenda

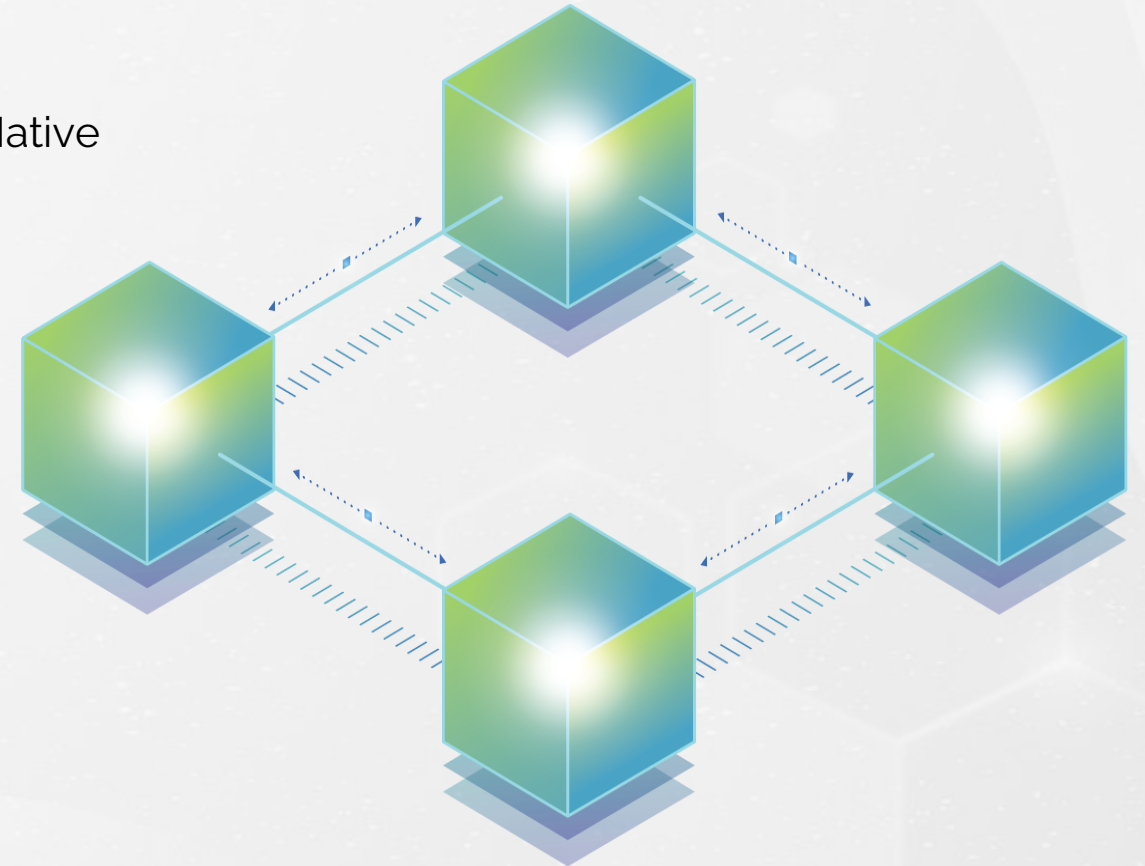
**Together we are going to discuss the following:**

- Why Digital Assets and engaging Digitally Native investors is important.

Using Digital Assets to:

- Strengthen Current Relationship Base
- Grow AUM with New Relationships

End with Q&A



# The importance of Digital Assets and Engaging with Digitally Native Investors

## A few main reasons:

- Fiduciary Duty
- The Great Wealth Transfer – estimated **\$70 Trillion**
- Protect your Practice – Top reasons advisors lose assets during wealth transfer is due to **lack of relationship**.
- Increasing competition - seamless digital interfaces and automated processes have made it **easier for investors to make a change**.



Sources: Forbes – Great Wealth Transfer, Investment News – The Great Wealth Transfer, e-Money 4 Reasons Why Clients Leave

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# What is a digitally native investor?

## A digital native person:

- Gen Y or Millennials: Born between 1981 and 1996.
- Gen Z: Born between 1997 to the present.
- **Grew up** with technology.
- Technology is **fundamental** to daily life.



Sources: TechSlang – What is a Digital Native?, Huler – Who are Digital Natives?

# What is a digitally native investor?

## A digital native person:

- **Intuitive** learners: learn by figuring things out instead of reading manuals.
- Less likely to view people in a hierarchical structure as the Internet makes **everyone seem equal**.
- They **value speed** and may not have the patience for delayed results.



Sources: TechSlang – What is a Digital Native?, Huler – Who are Digital Natives?



# How Are Digital Natives Changing the Business Landscape?

All businesses are having to re-think how they engage digital natives:

- They crave a ***dynamic environment***.
- They crave ***progression and growth***.  
Gamification.
- They tend to value a good ***work-life balance***.
- AORTA - ***Always On RealTime Access***.



Sources: TechSlang – What is a Digital Native?, Huler – Who are Digital Natives?

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# How Are Digital Natives Changing the Business Landscape?

All businesses are having to re-think how they engage digital natives:

- They tend to view their ***bosses as peers***.
- They tend to define corporate ***loyalty differently***.
- They ***integrate virtual*** and in-person experience into total life.
- Gen Z is ***radically inclusive***.



Sources: TechSlang – What is a Digital Native?, Huler – Who are Digital Natives?

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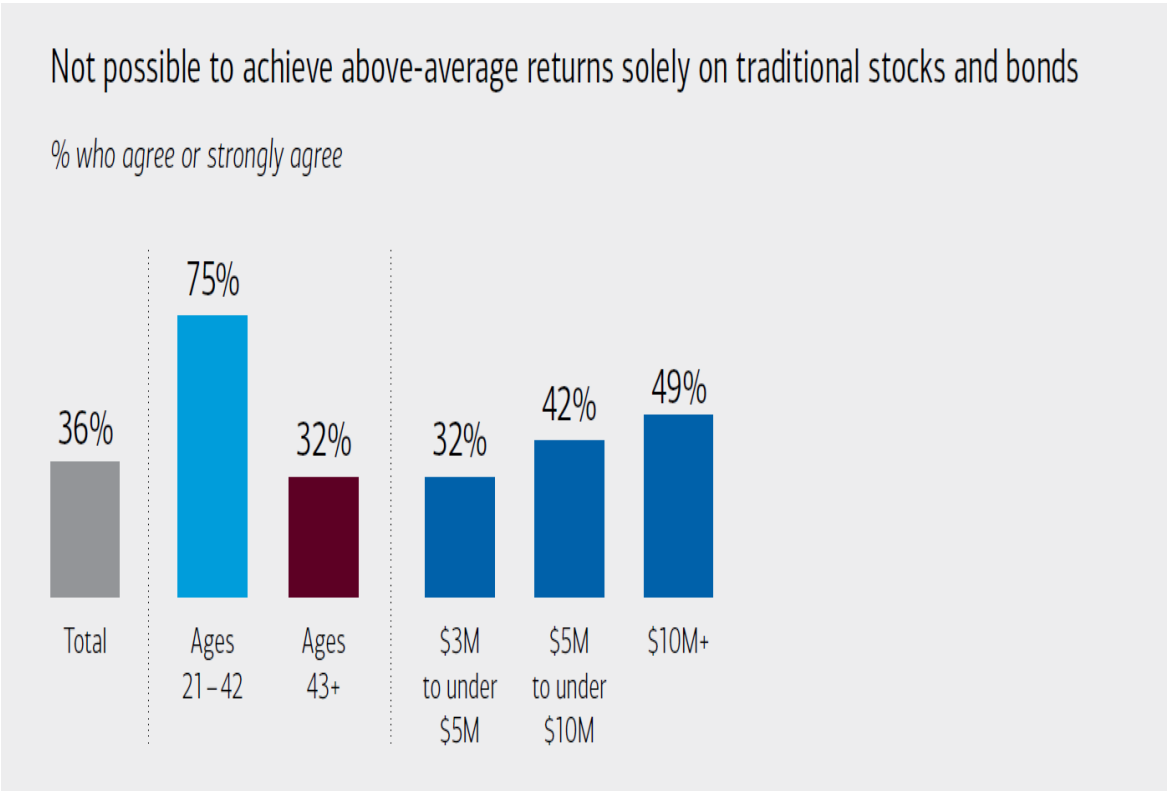
# Where does Crypto come in?

## Let's look at some of the most recent studies:

- 2022 Bank of America Private Bank Study of Wealthy Americans  
*May – June 2022*
- 2022 Charles Schwab 401(k) Participant Study – Gen Z/Millennial Focus  
*October 2022*

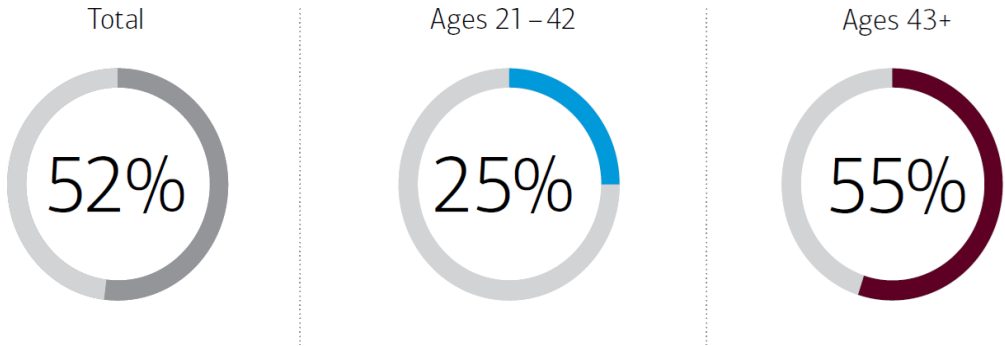


# Findings: Bank of America Study



## Younger investors hold fewer stocks

Average allocation of stocks/stock funds in portfolio



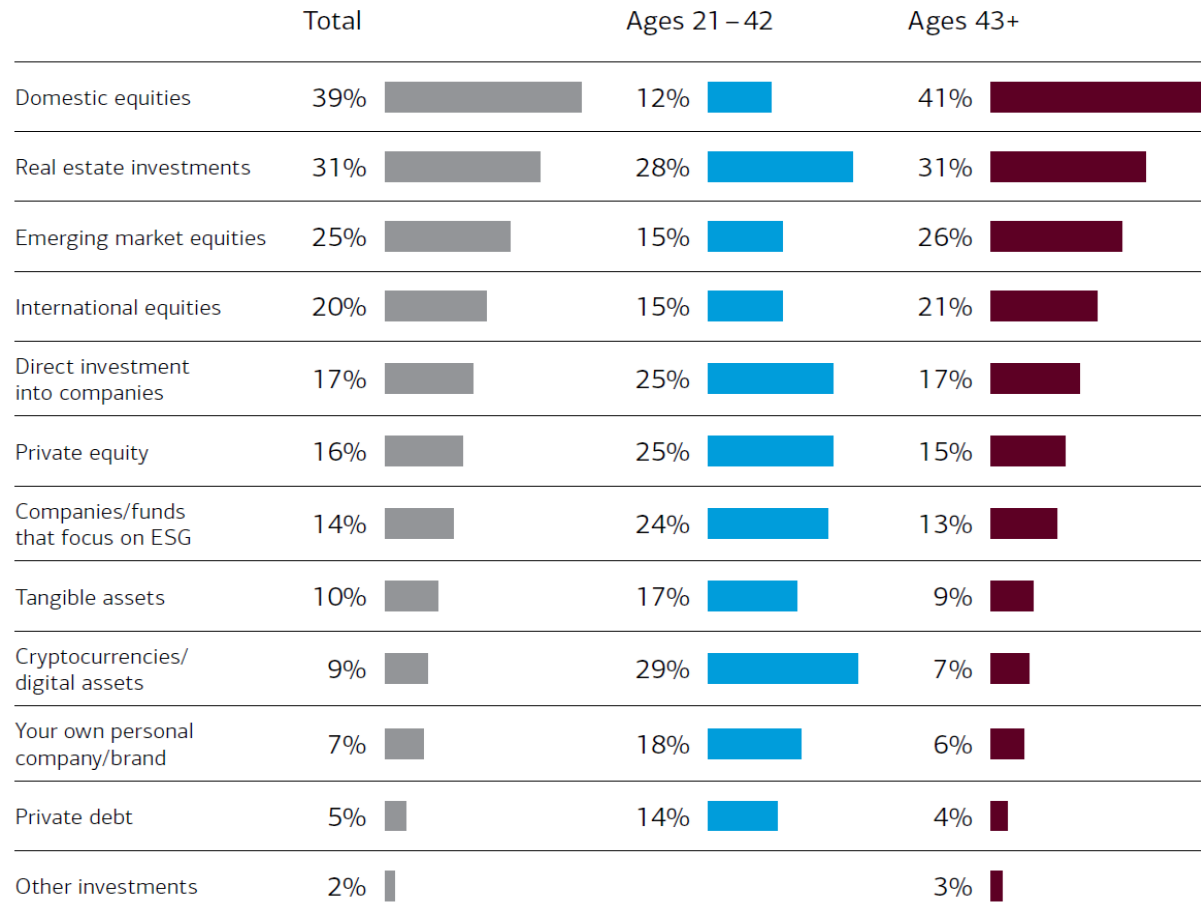
Sources: Bank of America: Private Bank Study of Wealthy Americans; October 2022

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# Findings: Bank of America Study

## Youngest trend toward alternatives

Investments that offer the greatest opportunities for growth



Sources: Bank of America: Private Bank Study of Wealthy Americans; October 2022

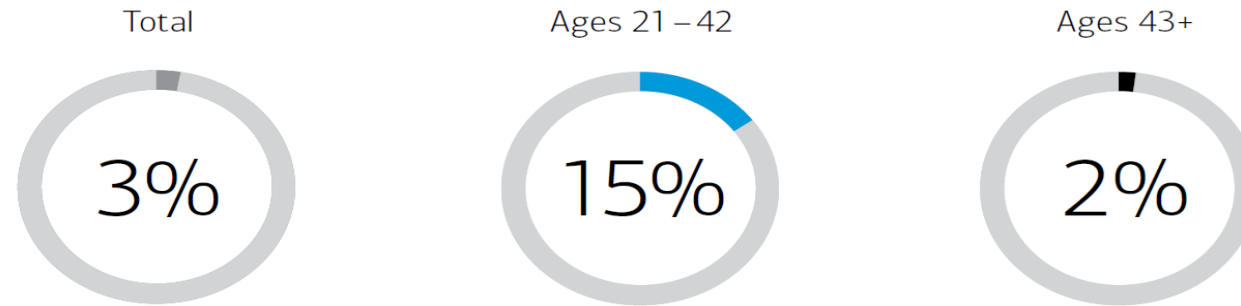
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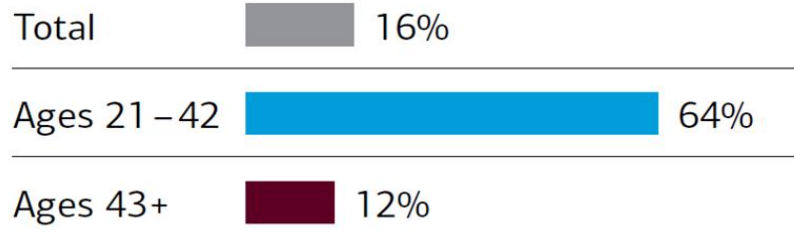
# Findings: Bank of America Study

## The crypto question

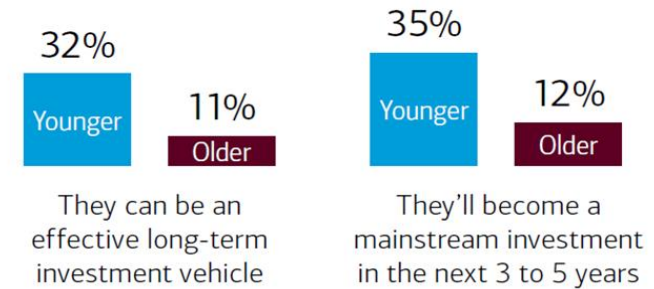
Average allocation to cryptocurrencies in portfolio



## Understand cryptocurrency quite well



## Thoughts on cryptocurrency

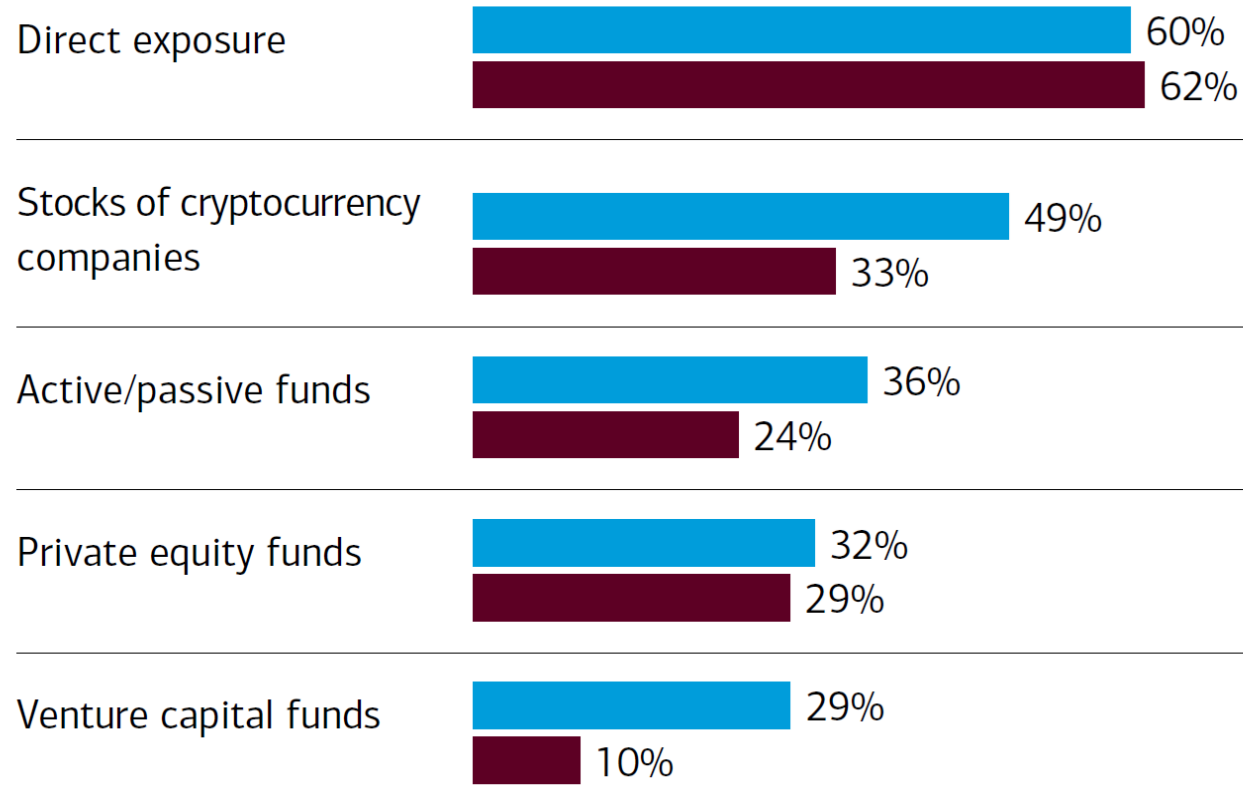


Sources: Bank of America: Private Bank Study of Wealthy Americans; October 2022

# Findings: Bank of America Study

## Approaches to cryptocurrency

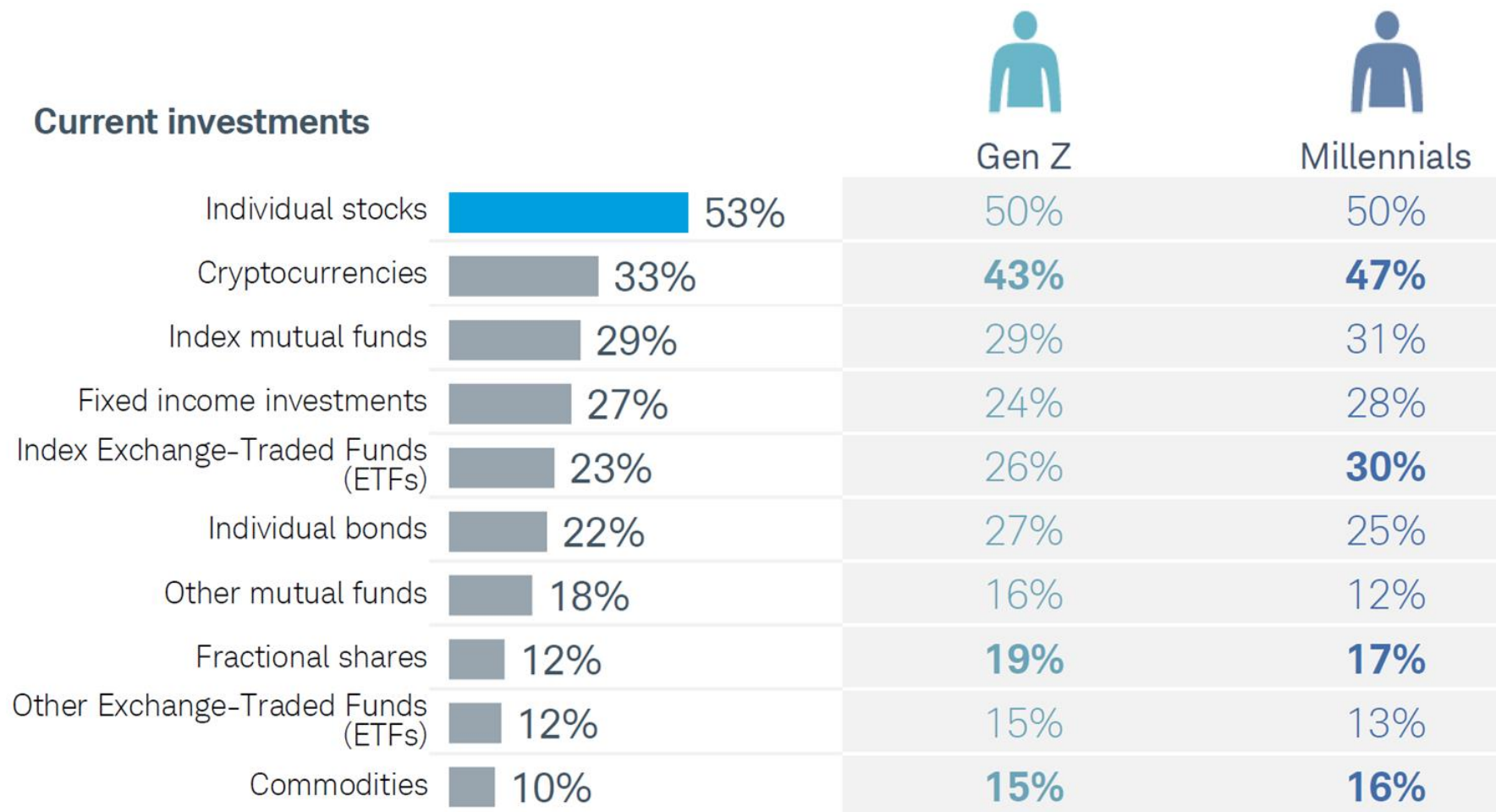
■ Ages 21 – 42 ■ Ages 43+



Sources: Bank of America: Private Bank Study of Wealthy Americans; October 2022

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# Findings: Schwab 401k Participant Study






Sources: Charles Schwab 2022 401(k) Participant Study – Gen Z/Millennial Focus; October 2022

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# Findings: Schwab 401k Participant Study

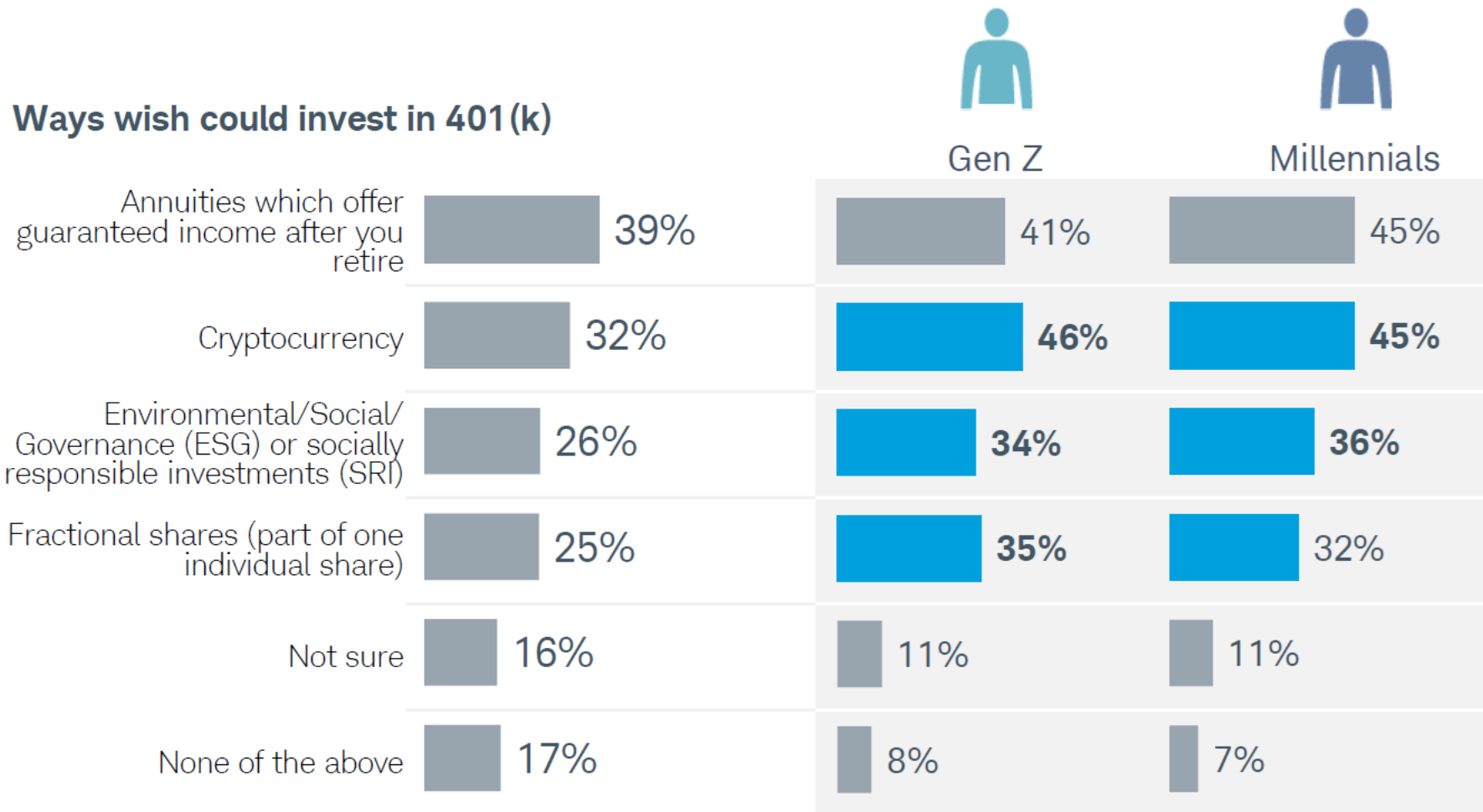
## Top Methods for Investing/Saving for Retirement

Methods	Rank	Method	Overall	Gen Z	Millennials
					
	1	Saving in savings account	61%	65%	56%
	2	Saving in HSA	39%	30%	40%
	3	Investing in an IRA	33%	30%	29%
	4	Investing in brokerage account	29%	28%	25%
	5	Investing in cryptocurrency	25%	31%	<b>35%</b>

Sources: Charles Schwab 2022 401(k) Participant Study – Gen Z/Millennial Focus; October 2022

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Now that you have the data.  
What do you do with it?



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# Determine your firm's approach to Digital Assets

## Pieces to consider:

- What is your process for adopting other alternative asset classes?
- For or Against:
  - Next generation technology to invest in?
  - A scam to protect investors from?
- Education + Planning + Investment Solution?
- Internal Solution or Hire 3<sup>rd</sup> party?



# Strengthening Current Relationship Base



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# Strengthening Current Relationship Base

## Analyze Your Practice

### ❖ Group 1: Baby Boomers and Gen X

- Identify 5 Household Relationship where primary contacts are **Baby Boomers or Gen X**.
- Rate your 'Relationship & Trust Level' with the **heirs**.
- Next, rate the level of **Opportunity**
- Finally, rate the level of flight **Risk**



# Strengthening Current Relationship Base

## Analyze Your Practice

### ❖ Group 2: Millennials

- Identify 5 Household Relationship where primary contacts are **Millennials**.
- Identify if you or the client have had a **conversation** about Digital Assets, or crypto.
- Rate the level of **Discovery** done specific to Digital Assets.
- Rate the level of **Sentiment** towards Digital Assets.
- Rate the level of **Opportunity**.
- Rate the level of flight **Risk**





# Gaining New Relationships Growing Firm AUM



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# Growing Firm AUM & Relationships

## After Determining Your Firms' Approach

- Start with Education – help investors understand.
  - ❑ Live Online Webinar
  - ❑ On-Demand Video
  - ❑ Group event – in or out of office
- Add the 'Crypto Question' to your discovery meetings.
  - ❑ Do you currently invest in, or have thought about investing in, crypto like bitcoin or ethereum?
    - If Yes: Tell me about your experience and why you invested.
    - If No: Any particular reason why?
  - ❑ What are your thoughts on crypto like bitcoin or ethereum?



# Growing Firm AUM & Relationships

## After Determining Your Firms' Approach

- Activity: Think of your last 5 prospect meetings with a potential Millennial or Gen Z investors. Did crypto come up?
  - If not, there is opportunity to ask.
  - If so, what was the sentiment?

The opportunity is there ***especially*** if you are against crypto. Advisors are in the unique position to help guide investors into making sound decisions.





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**Q&A**

# Arbor Digital Content

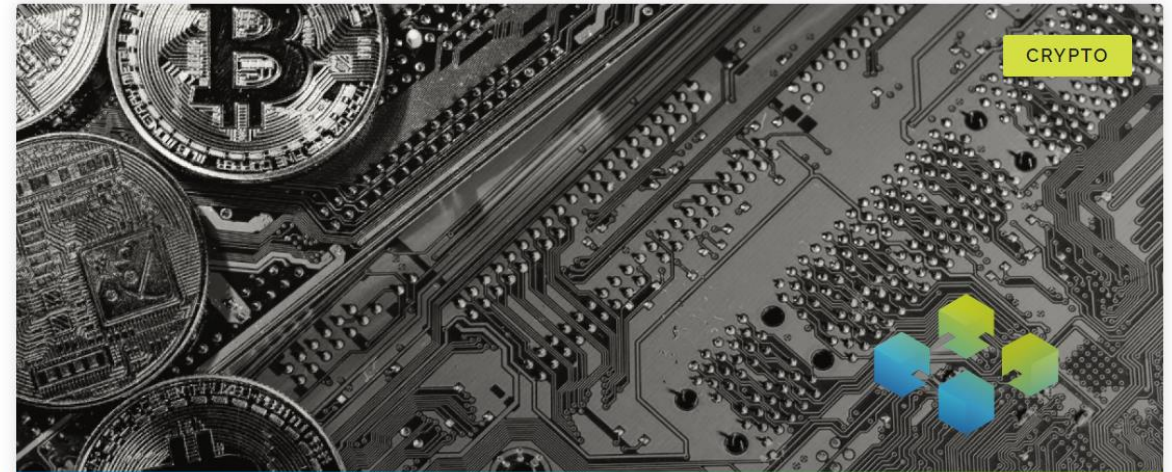


## Asset (r)Evolution Podcast

HOSTED BY MARC NICHOLS

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May 5, 2023

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