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Top-of-Mind Index (ATOMIX) survey, a quarterly survey of more than 1,000 financial ...

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Advisor concerns about managing volatility, generating income, growing wealth and reducing taxes fell over the past quarter, according to the latest Eaton Vance Advisor Top-of-Mind Index (ATOMIX) survey, a quarterly survey of more than 1,000 financial advisors. Managing market volatility regained its position as the top focus for advisors despite falling to 110.5 on the index, well below its peak of 129.7 in Q3 2016.

Key findings:

- 72% of advisors believe the U.S. political environment will be the biggest source of

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economic growth."

Fifty-three percent (53%) of advisors said their clients are still motivated by fear more than greed, a stark contrast to Q3 2016 when 82% said fear was their clients' top motivator. Although 46% of advisors described investor sentiment as anxious, they maintain a rosier outlook for near-term growth, with close to half reporting a bullish view of the stock market for the rest of 2017. Yet advisors also suggested a measured approach to the markets. Eighty-two percent (82%) said they are scaling back client return expectations as the bull market approaches its ninth year.

"Advisors play a critical role in managing client expectations and easing their concerns," said Moninger. "The best advisors are clearly articulating established financial plans and highlighting the benefits of setting long-term investment goals."

Income concerns abate

While advisor focus on generating income dropped, 43% said it has increased in importance over the past year and 74% plan to alter their approaches to generating income if interest rates rise. Top income-generating solutions among advisors include dividend-yielding equity funds (selected by 56% of advisors), municipal bond funds (32%) and high-yield funds (32%).

"Advisors are anticipating and planning for the next set of challenges their clients might face," said Moninger. "In a time of uneven global growth and political uncertainty, it's critical for advisors to respond in a thoughtful, rational way that allows investors to take advantage of undervalued opportunities that can potentially lead to long-term rewards."

Tax reform emerged as a new area to watch. Seventy-six percent (76%) of advisors said they have had a recent conversation about tax reform implications for client portfolios. Most advisors (84%) expect potential tax changes to positively affect

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client interest, advisors indicated clean energy (54%), followed by sustainability (44%) and climate change (41%). Human rights (33%), water issues (26%) and consumer protection (20%) ranked lower on the list of client priorities.

"Responsible investing, often called environmental, social and governance (ESG) investing, is an area that increasingly interests clients and also has the potential to deliver differentiated results," said Anthony Eames, director of responsible investment strategy, Calvert Research and Management. "Many clients focus on the environmental component of ESG investments because it is more tangible. It is important for us to articulate the importance of the 'S' and the 'G' when providing clients with comprehensive responsible investing solutions."

Sixty-five percent (75%) of advisors said the primary reason for exploring responsible investing options is to align investments with client values, followed by geopolitical concerns. Ninety percent (90%) of advisors believe the current political discourse is influencing client interest in responsible investing. However, only 23% said it is a major driver of interest.

"Many investors want to express their values and core beliefs through their investment decisions," said Eames. "Advisors can strengthen client relationships by empowering them to affect change through responsible investing choices now and in the future."

Twenty-eight percent (28%) of advisors said that at least a quarter of their responsible investing clients are millennials and nearly six in 10 advisors (57%) are actively pursuing millennial clients.

"As advisors look for ways to grow their practices, responsible investment strategies should be an important consideration and a point of differentiation especially among younger clients," said Eames.

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