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Wealth Management 2.0: The New Financial Client

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Financial advice is no longer just for millionaires. In just the past five years the entry point to managed financial advice services has gone from needing a few hundred thousand dollars of investable income to simply having a few dollars to invest. The cost of financial advice today is nearly free—putting extreme pressure on the value proposition of human financial advisors. With a new entry point comes a new client base, whose interests and assets are incredibly different than the traditional financial client—the millennial.

Unlike their parents and grandparents, those born between 1982 and 2014 have been born into an economy that is pitted against them. Despite being the best educated demographic in history, they entered a job market as earnings and average salaries plummeted from 2009 to 2012 and education costs and student debt have skyrocketed.

Fortunately, digital innovation presents countless new opportunities and backdoors for millennials to access cheap, sometimes even free, financial advice. Snapchat is going to begin offering the platform's 100 million users "robo-advisory" services to manage their financial portfolios. These robo-advisers will provide automated, algorithm-based portfolio management advice on a platform that digital natives already use everyday. For millennials who feel like doling out a few extra bucks for a more advanced solution, the Betterment app simply charges no more than 0.35 percent of an investment account balance annually and uses algorithms purposefully built by advanced financial consultants. As a generation who was born into the digital revolution and grew up with smart phones and computers, millennials sometimes feel more comfortable connecting with digital devices than with other people. Receiving financial advice via their phone app for a minor cost is far more appealing than going into an expensive and unfamiliar office.

So what does this mean for wealth management firms? How can they possibly compete with free, low-cost digital advisory tools in order to win over the new demographic of financial clients? In order to remain competitive, wealth management firms need to rapidly shift their approach to attracting, retaining, and servicing digital-natives and incorporate the learning's in a way to better serve their other segments as they begin to take on the behaviors of digital natives. Embracing millennials can also help wealth firms improve attracting and retaining new employees.

Attracting Millennials: Tiered Offerings

The Internet of Things offers an important new route to market that can make a massive difference in winning over digital natives. Wealth management firms need to figure out how to develop tiered offerings that begin with low-cost entry, digital self-service models of financial advice in the same way that the software industry innovated the "freemium model". For example, Wealthfront, LearnVest FutureAdvisor and many more all now offer digital advice as individual "products and services." Once millennials become familiar with a firm,

begin to place trust into the system, and acquire more wealth, advisors can offer them graduated higher-fee based services.

Servicing Millennials: Hybrid Advice Models

There are incredible benefits to connecting with financial planners that cannot be achieved through any kind of software. As digital natives begin to acquire more wealth, they will need to be serviced under hybrid advice service models that balance asset allocation with financial planning. Financial advisors do not need to be deemed irrelevant, and shouldn't be. They need to continuously innovate the value proposition for human interaction in a way that differentiates their strengths from what software does best. Firms that market this necessity to millennials in the right way will dominate the market.

Retaining Millennials: Speak Their Language

Ultimately no firm will find lasting success if they cannot retain the interest of millennials in their financial advice offerings. The wealthy, long-time financial clients may still seem like the more attractive base to focus on, but they will be replaced in coming years as the industry faces a historic transfer of wealth to the tune of \$30 Trillion. The key for wealth management firms to stay in business is to spend time and resources on understanding the new generation of clients, adapting to their desires and needs, properly segmenting them based on behaviors and real-time service, and marketing to them directly.

Many wealth management firms have a rocky road ahead of them. Navigating an entirely new customer base is never easy. With the rise and influx of digital innovation and the Internet of Things, they will be vying for millennial business against software solutions and against competitors who are pioneering the digital transformation curve in wealth management. The time to shift traditional thinking is now, or wealth management firms could succumb to software competitors.

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