Connecting the dollars to digital

The ROI behind digital advice

A digital whitepaper

Connecting the dollars to digital

The ROI behind digital advice

It is hard to ignore the hype around The Digital Revolution in financial services. As with anything new and trendy, many cannot help but wonder if it is here to stay or if it will be nothing but an afterthought by next year. Are the early adopters really reaping the rewards of embracing FinTech trends? The answer is an overwhelming yes — dollars and digital go hand in hand. Utilizing available FinTech tools has proven to be beneficial for both clients and advisors in every step of the planning process.

What is a digital advisor?

Defining a digital advisor is of little importance until we answer the underlying questions about its importance in the financial services industry. Digital technology impacts all aspects of an advisor's business, from client retention and engagement to firm revenue and assets under management (AUM).

The importance of being a digital advisor is clear in the market today. According to a 2015 Accenture study, 27 percent of investors claimed they switched firms to get the digital experience they have come to expect. No advisor enjoys telling their clients, "I cannot offer you that;" however, that same Accenture study also found that 41 percent of advisors could not provide the digital tools for which their clients asked. The digital distinction between advisors is an important one.

So now, what actually is a digital advisor? The industry will most likely never agree on one comprehensive definition, but there are a few characteristics on which most studies agree — a digital advisor is one who provides:

- Collaborative, interactive platforms that offer new value-add services to clients
- Tools that add efficiency to advisor workflows
- Account aggregation for a holistic picture of the financial life of a client

It is important to note that a digital advisor and a robo-advisor are not the same. Robo-advisors offer self-directed planning while digital advisors offer financial advice provided by a human supplementing the relationship with technology. Many clients today are seeking the expertise and guidance of a human advisor while also having access to digital tools which simplify the planning process.

Benefits of adding digital tools into your workflows

Early in The Digital Revolution, some advisors have been slow to adapt citing the added cost of creating and maintaining a digital practice. Research has shown, however, that becoming a digital advisor is not just another expense, but an investment that pays large dividends.

Let us first look at AUM, a universal "measuring stick" in the advisory business. A recent study conducted by Aite Group found that 90 percent of advisors delivering digitally-enabled advice increased their AUM, with more than a third experiencing growth of 10 percent or more. A recent Advisor Insights study by Fidelity similarly found that digital advisors averaged 14 percent more AUM per client and had more millionaire clients than their non-digital counterparts.

Aside from AUM and revenue, advisors are always seeking ways to serve clients more efficiently, and digital technology does that as well. Digital advisors in the Fidelity study had 55 percent more clients on average, primarily because they were able to increase efficiency and expand their service offerings.

While some advisors have hesitated to onboard Generation X and Millenial clients with smaller accounts, digital advisors have introduced tools to effectively extend their offerings to attract new generations of clients.

> *Digital advisors in the Fidelity study had 55 percent more clients on average, primarily because they were able to increase efficiency and expand their service offerings.*

Effects on client experience

Much of the debate around The Digital Revolution is centered around its effects on clients. Will a digital intermediary hurt the client-advisor relationship? Most of the available data indicates these concerns are a bit overblown. From the perspective of an advisor, over 90 percent of digital advisors in the Fidelity study found that digital tools in their practice:

- Increased client engagement
- Allowed them to be more accessible to clients
- Enhanced the services they are able to provide

As for the clients themselves, they seem to agree that digital tools enhance their advisory relationships. While most wealth management studies in the past have segmented clients based on net worth and/or age, The Digital Revolution has shown us that Generation D (as in digital) is all that matters.

Across all generations and regardless of net worth, everyone is moving toward digital. For example, a Capgemini World Wealth Report found that two-thirds of high-net-worth investors — who are more advanced in age on average — expect to perform most or all of their wealth management relatioship tasks digitally within five years.

Admittedly, The Digital Revolution is still in its infancy, but clients do not foresee enhanced digital offerings hindering the relationship with their advisor in the future. In fact, most Generation D clients in the Accenture study documented that digital advice delivery would not have a detrimental impact on the quality of their advisory relationships.

The importance of ease of use for client-facing technology

When people think of Apple, they often think of high profits, shiny stores, and popular products. What they do not typically think of is the engineering that goes into ease of use. It can be simple to over-engineer products by adding new interface options, but this makes the interface appear cluttered and more difficult for a newcomer to learn.

This focus on ease of use has empowered the success of Apple in two major ways:

- Their ease of use enabled an impressive amount of repeat business
- They created a captive market fully-integrated (dependent) in their ecosystem

We can apply this lesson to other business models in financial services as well. No one wants to deal with anything that requires a substantial learning curve. Why make a product hard to use when you want to entice someone into utilizing your services? You want high adoption rates and high usage rates to facilitate client "stickiness."

Some early adopters understand that ease of use will increase their "stickiness" with clients, increase client referrals, and increase the monetization of their services. Many of these firms have a personal financial management (PFM) tool included in their digital offerings as well.

> *It is important that clients find the digital experience offered by an advisor easy to navigate.*

In turn, the firms positions themselves as the center of the client's financial life leading to higher rates of client retention, increased assets managed per client, and increased client referrals.

It is important that clients find the digital experience offered by an advisor easy to navigate. If firms are looking to succeed in this industry, ease of use in client-facing technology is imperative.

Competing with robo-advice

There are a number of positive attributes that come with robo-advisors, and it is not news that human advisors need to incorporate FinTech solutions into their planning services. However, there are some things only a human advisor can provide to clients.

Trust is extremely powerful and drives consumer buying decisions every day. Clients want to know if the advisor will answer their questions truthfully even if it means losing a chance at their business. Additionally, clients want to know that the advisor will meet the Department of Labor (DOL) fiduciary standards, putting their needs first.

> *The competitive advantage of an advisor over technology is the empathy they bring to the interactions — whether virtual or face-to-face.*

As we see a world in which digital interaction is growing, we are losing many face-to-face interactions that are essential elements in building trust and establishing a relationship. The competitive advantage of an advisor over technology is the empathy they bring to the interactions — whether virtual or face-to-face. This empathy can create a lasting feeling of security that their financial future is in trusted hands.

Finances are deeply tied to personal life events and decisions as well. Building trust in which clients can work with an advisor regarding the biggest decisions in life demonstrates the importance of the role of the advisor in the life of their clients.

Clients want an advisor who puts them first and demonstrates it throughout the client journey. Robo-advisors may have the power of technology, but human advisors along with FinTech tools provice the added value of emotion, trust, and empathy.

3 key takeaways

Incorporating FinTech into workflows enables advisors to increase AUM

By integrating digital technology into advisor workflows, they save more time to focus on client relationships. This enables the advisor to gain a better understanding of their clients. With account aggregation, advisors are also capable of identifying held away assets that could be invested more appropriately. Additionally, a digital planning experience allows the advisor to create a repeatable and consistent planning process. This leads to scalability in their business practices and the ability to onboard more clients.

Providing digital tools empowers a better digital client experience

There is little advantage to giving clients access to a tool without using it as an extension of your relationship. This unique client experience is the best way for an advisor to demonstrate the value of having a qualified professional handle their financial plan. An opportunity to take competing technology and turn it into an advantage can only be done by an advisor that is willing to adapt. Creating a stronger client experience by utilizing collaborative technology will allow advisors to better understand client needs and prove the value of leveraging a financial advisor.

Utilizing client-facing FinTech allows human advisors to better compete with robo-advisors

The benefits of human interaction will never go away. While no one can claim that robo-advisors provide zero value, it is clear that consumers are still seeking the expertise of a human advisor when it comes to financial planning. In this very confusing and complicated industry, advisors need to continue to demonstrate the value of personal advice. Utilizing FinTech in the planning process will attract new clients who expect the convenience of technology and will assist in building relationships, all the while effectively competing against robo-advisors.

About Advicent

Advicent is the leading provider of SaaS technology solutions for the financial services industry, servicing the world's largest financial institutions. The Advicent product suite includes the NaviPlan®, Profiles™ and Figlo® financial planning tools; the Advisor Briefcase® marketing tool; the Narrator® Clients and Narrator® Advisor portals; and the Narrator® Connect application builder that unlocks the power of Advicent APIs. Through our innovative product capabilities and dedicated services, we are able to help thousands of financial professionals and their clients understand and impact their financial future.

To learn more, visit **advicent.com** or call us at **(855) 885-7526.**

NaviPlan® Figlo® Profiles™ Advisor Briefcase® Narrator®