Voices The advisor's guide to AI

By Mitchell H. Caplan
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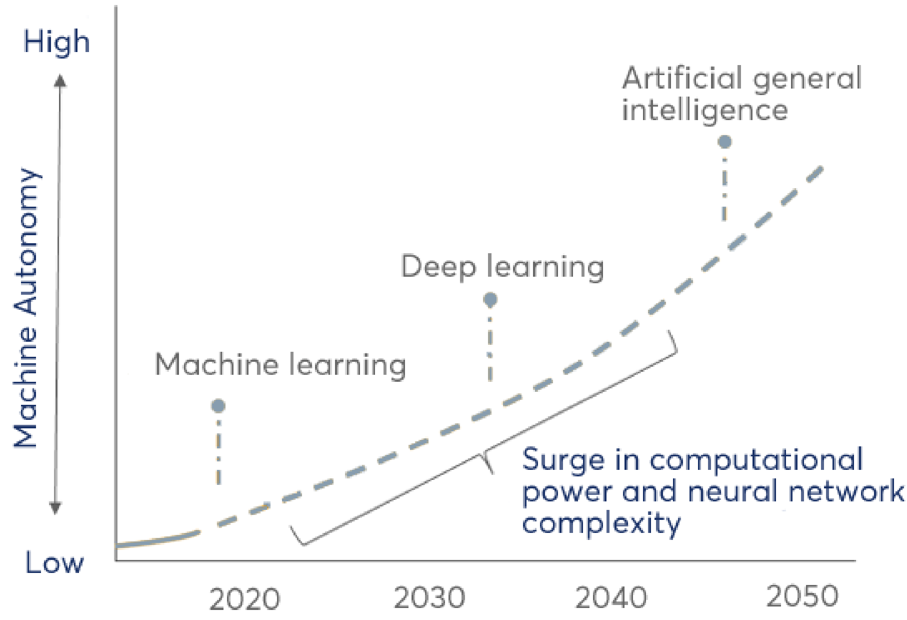
Once the domain of large institutions with deep pockets, artificial intelligence is being adopted fee-based advisors to enhance the human connection with clients — and gain an edge over the by transforming every aspect of the customer experience, from the front-end to the back office.

Advisors say customer experience is a leading competitive advantage according to the latest *A* 360-degree Special Report on the DNA of the advisor-investor relationship. Ninety-four percent fee-based advisors say that the customer experience is important to their value proposition because it improves client retention. Both advisors and investors agree that building a personal one-on-one relationship is among the top factors to ensure success.

And artificial intelligence is key. According to an Advisor Authority special report on the most successful advisors, RIAs and fee-based advisors who earn more and manage more AUM are more than twice as likely to adopt artificial intelligence and data analytics to better understand and better serve their clients.

CAPTURING DATA

Historically, the industry's giants have been at a clear advantage when it comes to gathering and leveraging data to advance their business goals. They have been using behavior-based segmentation for decades, creating more targeted marketing and communications to attract new clients, as well as offering customized products and services to retain more clients. But processing reams of data from multiple sources could take months, involving numerous specialists, across dozens of different departments.



Source: Celent

Today, as the power of fintech increases exponentially — at the same time that it becomes more accessible and more affordable — many advisors are tech-obsessed. They use more technology, and spend more on technology, to differentiate their firms and to achieve scale. They employ the internet as the channel to pull in data and to push out information, in highly targeted ways. They can employ Robotic Process Automation to streamline repetitive manual tasks, improve accuracy, reduce costs by as much as 80%, and reduce time to perform these tasks by as much as 90%, according to one recent study by Accenture.

They also use technology to connect with their clients and enhance the customer experience. They have greater power to capture and leverage data as robust cloud computing, customizable CRMs and intelligent reporting tools become table stakes, even for the smallest practice. And they are now using artificial intelligence to dig deeper, capture more client data, and take action on these findings in ways that can personalize the experience for their clients — and optimize the outcomes for their firm.

OPTIMIZING OUTCOMES

Artificial intelligence can help you evaluate complex problems, make more accurate predictions, and arrive at decisions with a greater degree of certainty and success. By employing refined algorithms, predictive analytics, natural language processing, speech recognition, image recognition, and other advances in machine learning, AI can quickly assess and organize complex information and disaggregated data from disparate sources, to efficiently identify patterns and trends.

Every time a client interacts with your website, enters your client portal, reads your blog posts or replies to your emails, artificial intelligence can help you to learn more about their needs and help you understand what matters most. In this way, AI can help you perfect your current customer experience — or pivot and shift — to personalize that experience for each individual client. Likewise, with AI you can leverage what you've learned about current clients to make more informed decisions around marketing and prospecting, to attract and retain new clients.

Artificial Intelligence also reduces the amount of time and money spent on more routine commoditized tasks, such as basic portfolio management, so that you can focus on "the 20% of non-routine tasks that drive 80% of value creation." AI not only creates more time for you meet face-to-face and one-on-one with your clients — it also allows you to enhance the quality of these meetings. You can move beyond financial matters, gain greater insight on clients' unique preferences and important life goals. You can arrive at a more customized set of solutions to serve your clients and their families more holistically — to capture a greater share of wallet and retain more assets as they pass to the next generation.

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The client experience can be defined as the way an advisor and investor interact at all points in their relationship. It is essential for nurturing the relationship, ensuring satisfaction, and growing a profitable practice. Technology is a means to this end — but not a replacement for the human touch.

Even in this age of instantaneous digital communications, where clients expect things at internet speed, both investors and advisors still say face-to-face meetings are their preferred form of communication. Just as advisors and investors agree that a personal one-on-one relationship and quality of communication are the top two factors that contribute to a successful customer experience, they also rate trustworthiness as the single most important attribute in the relationship. And when choosing an advisor, investors demand unbiased advice, a fiduciary standard and personalized planning. In the end, people want to connect with people who understand them — and can align with their best interests.

When you think about every single point of contact with your clients — from the front-end to the back office — artificial intelligence can impact every single step along the way, to create a better customer experience and a better set of solutions. You can better understand and manage the market. You can better manage and grow your clients' wealth. You can better manage and grow your practice. If the internet is the superhighway for the rapid transit of information, then artificial intelligence is the E-ZPass that helps you become even faster and more efficient. With AI, you know so much about your client — what they want and what they need — you can be exponentially more effective in creating the experience that will move them forward in their financial life and drive your firm's success.

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By **Andrew Shilling**
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SAN DIEGO – Advisors who have embraced socially responsible investing may have good reason to stick with the strategy.

Last year, SRI funds outperformed their non-SRI counterparts, when comparing those ranked by Morningstar's sustainable funds category, according to the research firm's analysts. Seventy-two of the 129 funds in the category bested the numerous Morningstar categories, Morningstar said.

ESG is just "another tool in the security analysis tool chest that can be a potential return generator," said Commonwealth Financial Network's Peter Essele.

Despite "slight underperformance this year," most managers and advisors will have adopted the approach in the "next three to four years," said Peter Essele, a manager of the investment management and research team at Commonwealth Financial Network.

Through September of this year, 85 of the now 163 sustainable funds ranked in the top half of various categories, Morningstar said. Overall, the funds averaged in the 50th percentile.

"If you went back two years, there was a clear delineation between traditional and ESG," Essele said at Commonwealth's Personal Currency conference in San Diego. "That line is being blurred at this point and managers are implementing the philosophy."

their spreadsheets with SRI ratings, delineating those with the highest percentage of investment in ESG from the lowest.

"An ESG overlay approach can be used in conjunction with traditional metrics like price-to-earnings, price-to-value and price-to-cash flow," he said. "It's just another tool in the security analysis tool chest that can be a potential return generator as well as a risk mitigator."

A FORMAL EMBRACE

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Matthew Ramer, principal at Mor Wealth Management in Philadelphia, has embraced SRI in the last two years. In that time, he says his firm went from having no investments in the strategy to mandating its use.

Unless there is a "substantial tax issue," he says, "if any new clientele brings over a portfolio of individual stocks, and any of their stocks rank in the bottom quartile of the sustained analytics aggregate score, they have 366 days to get rid of it," Ramer said. "If you want to live in our world and our commitment to society, you can't own those stocks."

Looking ahead, Ramer expects the trend to flourish, citing a recent Barron's article reporting on Morningstar data that 37% of all ESG funds, "outperformed domestic large-cap, year-to-date." More importantly, Ramer expects that as his younger clients have become the majority, SRI will only become more popular.

ESG? SRI? Defining Investing with a Conscience Divides Advisors

"Our older clients don't really have too much concern over ESG, but for our younger clients it's everything," he said. "Whether we're here because we want to move the needle with environmental and social consciousness, or whether we want to move the needle in terms of our corporate profits, in my humble opinion, over the next decade we have to be on the social side for both of those reasons."

Andrew Shilling

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