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Private Client 2020: The Rise Of Next Generation Financial Advisory

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Editor's Note: This is the first article in a two-part series about the transformation of the client and advisor experience.

While much of financial services disruption has led to innovation in the client experience, financial advisors are also seeking better experiences and beginning to demand smarter digital tools. A study by Fidelity (eAdvisors Take the Lead, 2015) found financial advisors that take advantage of technology more than their peers—call them eAdvisors—had roughly 40 percent more AUM, attracted more Gen X and Y clients, and are expanding geographically.

The average age of a financial advisor in 2016 was 50 years old, and continues to rise each year. Forty percent of older advisors have completed a succession plan. The number of jobs for financial advisors is [slated to grow](#) by 66,400 by 2020. The industry faces a need to recruit and retain more next-generation financial advisors, but also provide them sophisticated technology them to scale their expertise and reach.

So What Will The Private Client Experience Look Like In 2020?

1. Shifting To An Experience-Driven Model: The up-and-coming generation of investors who were born in the Internet are more willing to share their personal data and experiences across the Internet. Additionally, the Internet has shown—with crowdsourcing, peer-to-peer and the “gig” economy—that multiple business models can be successful. Successful innovations all have one thing in common: the right user and client experience is the differentiating factor. Wealth management will be no different. We have begun to shift from the traditional binary choice of advisor-centric or firm-centric models to the experience-centric model: tools, techniques, products and services on flexible, integrated platforms that shape the advisor’s ability to successfully serve tomorrow’s clients.

2. Being A Smart Fiduciary: Perhaps the most impactful industry gains from disruption lie in the growth of truly consultative, compliant sales. To attract a new generation of advisors and clients, advisors will demonstrate and maintain not just professional accreditation, but capabilities that enable guided sales and take advantage of opportunities across a multi-generation household. In addition, intelligent interaction tools—with built-in audit trails and content indexing—allow advisor and firm outreach, consultation and sale to maintain compliance while also potentially meeting next generation clients’ preference for self-service.

3. Leveraging Artificial Intelligence For Engagement: Financial advisors in the near future will utilize unified, intuitive Artificial Intelligence (AI) powered platforms to manage their clients—replacing complex manual technologies. AI tools will also augment and streamline daily tasks and allow advisors to be more proactive. Data gathered from internal and external sources will generate important client insights—such as the probability of a life event—and deliver it within an integrated platform that advisors use to manage client engagement

4. Creating A Multi-Service, Single Company Experience

Multi-generation households will be able to explore and share financial needs and wants within a unified experience. Advisors may consider actively structuring cross-generational service teams offering a broad array of advice. For example, some top advisors today provide financial planning services to parents, while offering their college-age children self-service digital tools, like a personal financial management app or robo-financial planning service.

5. Pairing Health With Wealth

The next frontier for client engagement in financial services is the growing integration of health, well-being and financial planning, or “whealthcare.” Whealthcare enables households to better protect assets, preserve lifestyles and maintain independence into older age. Additionally, the notion of “whealth” helps households address planning gaps and diversions for long term security. Multichannel experiences and cognitive intelligence facilitate the breadth and depth that whealthcare can offer.

Integrated Programs: Preparing For The Future

Fueled by employer incentives, multichannel experiences such as “lunch and learn” financial security seminars and online decision support tools are now offered alongside of health programs such as smoking cessation, weight management and physical fitness/training. Reflective of the financial burden of student debt on employees, a quarter of employers’ plans to offer student loan counseling or repayment assistance.

A growing percentage of companies are expanding their [well-being programs](#) to include financial security, up to 84 percent this year from 76 percent in last year.

Tailoring healthcare programs for households represents a strategic opportunity for forward thinking advisory: embedding daily physical and financial activity with life event tracking into personalized journeys fuels augmented intelligence that can help drive better engagement and decision-making to improve healthcare.

Best Interests Of Seniors

[Financial abuse of seniors](#) is estimated at between \$3 billion to almost \$40 billion annually. Healthcare can contribute to the protection of at-risk seniors by addressing and monitoring issues such as cognitive impairment in a holistic, integrated financial and physical health plan.

SIFMA remains at the forefront of promoting best interests of firms and their senior clients through events, partnerships and promulgation of industry trends such as healthcare.

Enabling the next generation of advisors to deliver on these five major trends implies investment in new capabilities: the “Future School” of financial advisors’ customer engagement platforms. Agility is a new and critical factor in enabling advisors to apply the technological advances to personalize their client impact, while maintaining competitive efficiency and regulatory compliance.

The Future of Wealth and the Art of the Possible

		OLD SCHOOL	NEW SCHOOL	FUTURE SCHOOL
	PROSPECT	Buy a prospect list to cold call	Leverage social media for digital outreach	Match prospects with advisors based on behavioral profiles and financial needs
	CONVERT	Offer prospects a wide-range of reasons to convert	Offer a more targeted set of reasons to convert	Proactively apply specific reasons and next steps to increase conversion
	ONBOARD	Paper-based onboarding	Electronic onboarding	Immediate onboarding utilizing existing information, e.g. using blockchain
	SEGMENT	Demographic, static segmentation	Static, rule-based segmentation incorporating behavior	Dynamic behavior-based segmentation uncovering unique segments
	CROSS-SELL/UP-SELL	Generic marketing drives personal calls	Static segmented campaigns drive heads of household calls	Household activity drives individualized opportunities proactively
RETAIN	SCHEDULE	Call clients to schedule meetings	Scheduling via text messaging, email, or calendaring tools	AI-powered assistants handle correspondence
	VIEW	Account view for servicing heads of households	Household view to service single generation in household	Household view with individualized service across generations.
	PLAN	Manual / spreadsheet based tools	Intuitive financial planning software	Client-facing, hybrid/robo software with configurable household views and rights
	DOCUMENT MANAGEMENT	Pre-printed generic documents	Digitized physical documents	Smart contracts using blockchain to create, modify and track changes
	REPORT	Paper statements and reports	Digital statements and reports	Interactive statements and reports with natural language automated narratives
	RESEARCH	Provide research based on 'gut' feel or client request	Provide research reports to clients based on demographics	Leverage behavioral data to automate and distribute recommended research
	RISK TOLERANCE	Paper-based risk assessment tracked manually	Digital risk assessment-triggered by life events	Dynamic risk profile based on client behavior, market and population
	RETAIN	Learn about client attrition after the fact	Proactively reach out to retain attrition risks.	Predict client attrition, use all available data to recommend best next steps
	SUCCESSION PLANNING	Find willing buyer(s) for book of business	Actively plan for book of business sale or transition	Match clients in book of business to the right advisor(s) based on behavioral profiles
	ADVISOR OVERSIGHT	Reactively respond to complaints	Reconstruct archiving of advisor-client interactions	Intelligent scanning of interactions captured automatically to identify potential misconduct
MARKET RISK MANAGEMENT	Manually monitor market activity and impact on client portfolios	Automated alerts for market activity that may impact portfolios	Automated messaging to clients based on predicted client activity driven by market activity with recommended actions	

The Case For Value: Graduating To Future School

As with any investment, a good financial advisor will want to understand the benefits and risks. As a launchpad into strategic planning, top advisors may consider the following impact scenarios.

A. Curating Multichannel Experiences

Keeping track of households requires a heightened commitment to data and customer relationship management, as well as the ability to refresh relevant information and act upon it, in context to the entire household relationship.

Younger generations represent future opportunity but may demand cultivation through service and education. In addition, younger clients may prefer digital services to human interaction.

Do you have a plan to combine and align personal interactions with digital, two-way communication?

B. Addressing Fiscal Planning, Health-Care Costs And Population Demographics

Aging investors represent the other end of the service spectrum with an emphasis on simplifying income and tax strategies. In contrast to the relative simplicity of their accumulation phase, disbursing income and managing expenses in retirement can be much more complex. Retirement is indeed both a balance sheet and an income statement issue. Maximizing limited resources will be increasingly complex. Many clients are finding they are unprepared for the demands of longevity and health care—especially in contrast with historically low interest rates.

Do you have planning systems in place to help maximize after tax income—and how do you answer questions about taxes?

What about health care—and especially long-term care?

C. Enabling Teams for Multigenerational Engagement

Gender and family issues challenge training teams as well. The empathy required to fully engage clients—especially "unengaged" spouses and other family members unfamiliar with financial matters—can test even experienced advisors. Recruiting and hiring will be a challenge due to the specialized nature of the skills and experience needed. Get ready to pay for talent!

Are your service and support team adequately trained?

Do they have sufficient time to engage with complex cases that may require additional client education?

D. Managing Compliance and Monetizing Data

The sheer mountain of client data and compliance requirements can skyrocket costs, with a risk of not capitalize on the data. Monetizing data profitably will require specific management skills and organizational capabilities as well.

Can your data can be utilized to "digitize" elements of service and overall engagement?

Will you provide alternative service options for clients to "self-actualize" specific needs now being handled by human service teams?

Will you centralize any of your service and provide relief to local resources?

What is the future role of the web for your firm in client engagement?

As innovation creates new business and servicing models, these questions—and many more—may shift the traditional role of advisors. At the high end, the best advisors must get free of service and minutiae so they can focus on clients and new business. If a client needs the services of a top advisor and is willing to pay, why would an advisor do anything else with than meet with new and existing clients?

At the "lower" end, service and sales roles begin to blur, with automation and self-service facilitating—and accelerating—that transformation: for example, if a client needs help—often triggered by an event such as a death or a significant event in the markets—and reaches out to an advisor or the advisor's firm, should firms provide enough capability for clients to guide themselves to the right activity and service group?

As the wealth management industry continues to transform, answers to these questions and more will be unique to every firm. In the next article, we provide five key factors to help guide and plan your future with success.

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