

Adviser Industry Insights  
from Morningstar

# Six Reasons Your Adviser Technology Should Be an Extension of You



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Thanks to advancing technology and changing regulations aimed at greater transparency, advisers and investors are working with more information than ever before. But turning that into a productive tool for advice is another matter. To us, it's becoming clearer than ever that the adviser practice of tomorrow is built on efficient integration of data and technology. Advisers who haven't adopted technology are either out of business, retired, or getting there, but the level of technical integration varies wildly among those who use technology to move their businesses forward. The market is already moving toward lower-cost, client-first priorities, and modern advisers need to take greater advantage of the tools at hand to meet a shifting set of investor expectations.

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## The business of advice has already changed so much, and it's not stopping.

Even before the Future of Financial Advice (FOFA) reforms and the Banking Royal Commission, we've been seeing a move toward lower fees, lower-cost products, greater transparency, and a holistic, goal-oriented approach. Modern advisers must combine the convenience of technology and automation with the personal touch that demonstrates the value of human advice.

"Whether a retiree, starting a family or looking to grow wealth, consumers each have their own unique needs. Today, accountants, mortgage brokers, stock brokers and financial advisers all address these needs in different ways and technology is increasingly helping them be more efficient and spend more time with their clients. Perhaps in future advisers will become something like financial life coaches," Tony Gangemi, Morningstar Australasia's head of adviser software, said. "Online banking has been around for a while now, yet people still value the personal touch of a bank branch. Sometimes your situation is more complex, and you want to know that someone is addressing your situation."

Collecting, managing, and making sense of all this information is a challenge that technology helps advisers solve. Back in the dial-up and dot-matrix era, that could take two to three weeks of both adviser and client burrowing through a nest of paper looking for old income statements, account balances, and so on. Now, software platforms handle that efficiently, so it's easy to take for granted how much time isn't spent on that kind of work.

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## Your clients are conditioned to expect more.

No matter how active they are in their own financial picture, your clients are used to having on-demand access to everything—from banking to shopping to the entire run of Game of Thrones. And they're beginning to expect the same from the people they entrust with their finances. With client web portals and mobile apps becoming standard offerings among modern advisers, clients don't have to pick up the phone to understand their current financial position. They can see their portfolios, performance, and analytics—all in digestible, plain-language reports.

With this new-found transparency, clients need to know how their portfolios are contributing to their overall goals, and how their allocations are bringing them closer to the future they've been hoping for. How you bring that to life for your clients can be a true differentiator for you as an adviser—and will save you time answering questions from your clients.

And in the right context, this clarity can be empowering for advisers and their clients, according to Greg Bunkall, who works on Morningstar's fund data methodology.

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“You can really create a playbook for clients who want the full story of their investments. Let’s start with an asset allocation chart—show that to a client, discuss the data and help them understand what it’s displaying,” Bunkall said. “When they ask about the appropriateness of how you get to that point, you can show them the richness of the methodology and calculations that go into that chart.”, Bunkall continued. “On performance, you can look at every single holding in the portfolio. Take a time period, show how it leads to the current results. Show clients where performance is coming from, and how it’s why you picked these 15 funds to build an asset allocation. There’s all the data leading into the decisions made for clients, all in this one place.”

Showcasing that data underlines your value as an adviser, but it also delivers the kind of experience your clients deserve.

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### A software platform is more than just the tools you use.

Like an iceberg or a small plumbing issue in your home, an advisor’s technology stack is so much more than what you can see at the surface. APL Management, Portfolio Construction and Client Reporting are built on a foundation of broad, high-quality data, original qualitative analysis, and the underlying methodologies to unite them.

Many third-party adviser platforms and software solutions in the Australian market rely on Morningstar data. “We define the quality of our data on three main metrics: completeness, accuracy, and timeliness. But so much of the conversation is about how it’s applied” Shweta Shah, Morningstar Australasia head of data products, said. “Where we’re getting it from, what it means, how it works with our products, and how our research and product teams make sure it comes alive in a way that’s actually useful for the advisers using it. We continue to add value to that data and make it more useful.”

The benefit for advisers is having that same lens for their client data—the ability to take that broad view of everything and focus it where it impacts clients.

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### Data is great, but eventually you’ll need a way to narrow it down.

As an adviser, you’ll typically have access to up-to-date data on your clients and their investments—that’s fantastic, but you need a way to make it useful and engaging for your clients.

“Our data enables a lens on client portfolios in a way that other systems don’t. It’s how the research is blended in with our data and tools that differentiates us—and gives advisers unique insights to share with their clients as they work to help them meet their goals.” Gangemi said

“We take three steps to make sure that the data we collect is ultimately useful to advisers— centralise, standardise, and simplify. We collect and centralise information in one place where we can manage it— performance, holdings, analytics, and so on. Then we standardise, making sure that everything is calculated the same way. Finally, maybe most importantly, we simplify it and give it to advisers in a way that’s easy for them to use and their clients to understand – through Morningstar or third-party systems.

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### Good technology means you'll use it less.

According to a survey in the United States by Cerulli, advisers can spend up to a quarter of their time managing data and administrative work. That's probably not what most advisers had in mind when they chose their career, and it's not the best use of time. The plus side is that adviser-tailored platforms help bring the myriad of things that collectively make up a workday under one tent. Portfolios, holdings, data, research, and reports—all in one place. Those minutes spent moving data between outdated software destinations adds up, and they can cause errors.

"Of everything technology does for advisers, this is one of the easiest to quantify. If you have 100 households in your book of business, imagine saving 10 minutes per household," Morningstar's head of product and client solutions, Graham Dixon said. "When you have a consistent data set that flows through the different steps of your workflow and you've got the insight layered on top, you're probably talking more than that 1,000 minutes per week. It's a powerful argument for technology."

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### More time to do what you're best at.

While we're a company that does a lot with technology and data, our focus has always been and will always be on the investor. And we've long held that there are parts of the adviser/client relationship that can't be adequately addressed in pure numbers and data. We believe that the other parts of the adviser-client relationship add significant value.

"Clearly, the way that many advisers service their clients is changing in line with regulation and the cost of running a practice. But that's very different than the value of financial advice overall and the service advisers provide to keep their clients on-track," Dixon said. "Most advisers have always been providing that type of broader financial advice & support, but as an industry we haven't always made it easy on them to articulate the value of the other things that they do."

"All of those things—behavioural coaching, budget optimisation—that maybe have been paid for as part of the overall fee needs to be highlighted, so that the client can understand it more clearly," he said. I think people will pay for value. They just need to understand that the value is there, and that's what we are working hard to ensure our tools are set up to do."

Technology is powerful, but it's also a practical tool to help advisers fill those service and relationship gaps and provide the best possible advice to clients—the epitome of what the modern adviser should be.

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## Contact us today

If you'd like to learn more about how we've been leveraging technology to build a bridge between advisers and clients, and to request a demo:

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