



**Why Aren't
More Advisors Providing
Financial Planning Services?**

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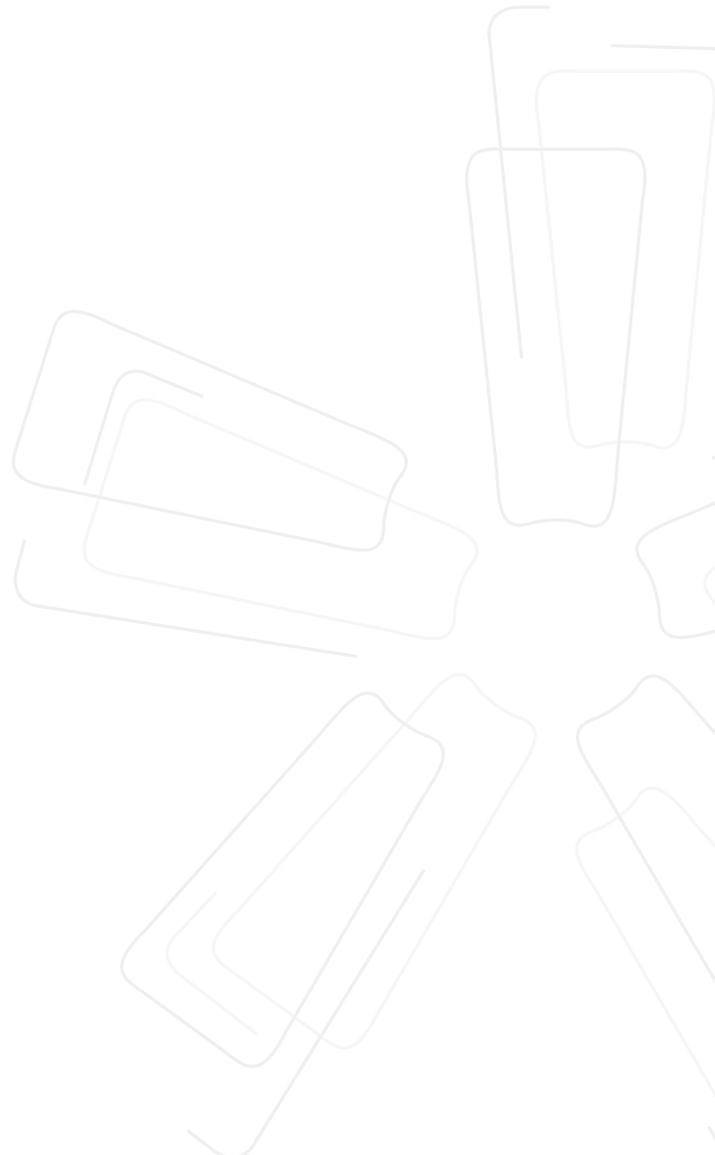
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Introduction



Despite the many documented benefits for working with clients in a financial planning engagement, there is still a majority of financial advisors not providing financial planning services. According to Cerulli, only a third of the industry's advisors are actually providing financial planning¹.

WHY IS THAT?

For many advisors, the financial planning process takes too long and can be an operational nightmare, as well as the fact that they don't have the time or expertise to provide planning. Others say that the software is too complicated. Ultimately, a number of advisors assume that their clients don't want or need an expensive, comprehensive plan.

Additionally, for many advisors, change is hard and the inertia for staying the course is high – they don't want to change their business models to provide these highly valued planning services, even though they intuitively know that it can help them better serve their clients. Despite this mentality, many advisors are already providing a majority of the aspects of the financial planning process. They just don't know how to communicate that service to clients and then charge for it.

However, in today's world of low cost online competitors and discount brokers deploying technology to commoditize investment management offerings, the challenge is real, which will make it difficult for advisors who only offer investment services to compete in the future without a financial planning advice component to differentiate themselves and justify their fees.

Further, new subscription offerings from online discounters now provide financial planning services, ongoing access to a Certified Financial Planner™ (CFP™) and an investment management™ robo advisor for a low monthly fee. Many industry experts are predicting that the disruption for investment-only advisors is imminent.

While there are many ways advisors can un-commoditize investing through direct indexing, tax-efficient rebalancing, and more, the mandate is clear – the future of advice for human advisors will be an integration of professional investment management with financial planning.

The good news is that through technology innovation, financial planning is now easier, simpler, and more modular to provide. Combining financial planning with advanced investment management, rebalancing and reporting tools, advisors are able to overcome those operational barriers and their own personal biases to embrace planning and thrive in the new world of advice by offering an enhanced client experience.

Accordingly, this white paper will highlight the industry trends driving this movement, showcase how integrated technology can deliver the key solutions for productivity, scale client experience enhancements, as well as provide examples of how advisors have successfully made the transition to integrating investing and planning into a compelling – and profitable – service offering.

¹ Cerulli's U.S. Advisor Metrics 2018: Reinventing the Client Experience

Industry Trends



According to Cerulli², nearly 50% of the total number of financial advisors call themselves “financial planners,” meaning that they offer a full range of planning services, such as savings goals (retirement, college), budgeting, tax planning and insurance, yet in reality, only 24% of them actually provide those planning services.

The same can be said for advisors calling themselves “wealth managers,” meaning that they offer a complete range of planning services, with an emphasis on complex estate, charitable giving, and business planning. According to Cerulli, 37% of all advisors call themselves wealth managers; however, in reality, only 8% actually provide the services of a true wealth manager.

Thus, as the investing public becomes more knowledgeable and experienced thanks to vast marketing campaigns from the big financial institutions, banks, wirehouses and discount brokers with an “advice equals planning” message, along with entities such as the CFP™ Board of Standards promoting the CFP™ marks through multi-million dollar advertising campaigns, clients will be demanding and expecting financial planning services more and more from their advisor as part of their relationship.

Further, more disruption is looming for advisors via the new subscription models from Schwab featuring CFP™ professionals using MoneyGuidePro® to provide a comprehensive financial plan for \$300. Also offered are ongoing phone/video consultations with a CFP™, as well as automated robo advisor investment management services.

In the first three months of the Schwab offer, over \$1 billion of AUM has been gathered³, and other big players are thinking about similar offerings, including Merrill Lynch.⁴ This new model portends a massive disruption to the way advice will be delivered going forward, and puts independent advisors and their investment management-centric business models at high risk of disruption.

Advisors cite a number of reasons for not evolving their practices to involve planning, including operational and productivity issues coupled with the sheer volume of data, statements, reports, and financial information necessary in order to complete a plan. For many, financial planning is an intimidating, often manual, and generally painful process to undertake.



² Cerulli's U.S. Advisor Metrics 2018: Reinventing the Client Experience

³ <https://www.financial-planning.com/news/schwab-intelligent-portfolios-premium-adds-1b-in-aum>

⁴ <https://www.barrons.com/articles/merrill-edge-mulls-subscription-pricing-51563380148>

Other advisors point out their lack of knowledge and skill in providing comprehensive financial planning, as well as the cost of software and human capital needed to build a planning capability in their practice. Still others point out the complexity in leading financial planning software tools, making them difficult to use and adopt.

The same is true for broker-dealers looking to support their advisors with planning software, yet the adoption has been low. Joel Bruckstein, an industry guru and advisor technology expert interviewed for this paper, states:



A large segment of the population has been underserved for years by the financial planning community. There are a few reasons for this, including that financial advisory firms were not geared towards efficiently and cost effectively creating plans tailored to the middle class; there was a perception on the part of consumers that financial planning was too expensive; and there were no tools available that really addressed the needs of younger, middle class consumers.

Now, however you are seeing many technology firms develop tools that better meet the need of this demographic. Advisors can provide targeted advice at a cost that is very reasonable and address the needs of those looking to get out of debt, start saving for retirement, and accumulate wealth. At the other end of the age spectrum, we are starting to see advances in how we deal with older clients. We have better spend-down methodologies. We see advisors dealing more with the intersection of health and wealth. Overall, I am very optimistic about the direction that the wealth management industry is taking.



As Bruckenstein says, the good news is that with new technology that brings together investment management, sophisticated rebalancing, portfolio reporting and financial planning, advisors are able to significantly enhance the client experience, while gaining efficiencies, productivity and scale to their businesses. A significant number of the roadblocks to planning can be overcome with these new tools.



Removing Barriers to Planning Through Technology



Planning software is expensive – As technology firms gain scale and are able to integrate planning much more tightly, the cost for planning software has come down dramatically. Most notably, firms such as Orion are able to provide financial planning software for no additional cost through its acquisition of next generation planning platform Advizr.

Planning software is too complicated – New innovation, including next generation technology platforms, a focus on the user experience (UX) and intuitive user interfaces (UI), drop down menus, data integrations and more, has simplified and streamlined the process to make it easy to learn and adopt, while providing sophisticated and comprehensive plans.

All clients require a comprehensive plan – Depending on where advisors are with their client relationships, not every client needs a full-blown, comprehensive plan. Often a retirement analysis or college funding strategy is all that is needed to establish the relationship, and then over time a comprehensive plan can make sense. With today's flexible cash flow engines, planning software can easily be modularized and enable advisors to complete a module of planning, charge for that advice component, not overwhelm the client, and then expand the relationship over time.

Planning concepts and software are hard to learn and adopt – Through centralized planning resources, including both technology and CFP™ professionals on demand, advisors are able to tap into “planning desks” to get their questions answered, gain confidence in their use of the software and get ideas on how to roll it out across the firm.

Gathering client information takes too long and is a manual process – With today's innovative and client/advisor-friendly UX and UI, advisors can easily delegate to clients and their professionals to gather the required information online, saving time for the advisor and making it easy for the client to provide.

Planning doesn't scale – With today's cloud-based, integrated platforms, firms can easily automate much of the process of creating plans through integrations with CRM, custodians, broker-dealers, and portfolio management systems, making it a streamlined and automated process to complete plans for all clients, without having to add incremental staff.



Practice Management Benefits of Integrating Investment Management and Planning



There are many business and practice management benefits to integrating a financial planning capability into your investment management firm, including:

Enhance the client experience (CX) – Providing comprehensive planning and investment services creates the platform for advisors to delight their clients in a holistic, professional way, which translates to an enhanced client experience, differentiating firms from those that just offer one or the other. According to Pershing, firms focusing on CX grow 5 times faster than those who don't.

Justify fees – In a commoditizing industry, advisors will be able to expand their service offering to provide an extremely valuable and in demand service, maintaining their premium pricing for a personalized, professional experience vs. a passive, online and basic offering.

Grow revenue – A key aspect of the planning process is identifying assets held away for consolidation, which increase investment fees, while also creating a new, incremental fee-based service offering to grow non AUM based fees.

Deepen relationships – The planning process is a proven way to enhance client relationships as advisors get to know clients on much deeper and more personal levels in terms of their goals, hopes, dreams, and legacy wishes, all of which lead to higher retention, more referrals, and enhanced loyalty.

Gain scale – Leveraging integrated planning and investment technology, along with advanced data integrations with CRM, custodians, broker-dealers, and portfolio management systems will streamline your back office, increasing the number of clients served per advisor, while driving efficiencies and productivity.

Differentiate your practice – Financial planning has shown over and over again to be a compelling advisory service, which provides your firm with a powerful marketing message to attract and retain top clients.



Advisor Profile – Steve Caldara



Steve Caldara is a long-time veteran of the financial advisory business. Having started out in financial services as a life insurance agent at a major insurance company, Caldara quickly realized that he wanted to own his business and be in control of his destiny and approach to working with clients, including working with them on their investments as well as their insurance needs.

For years, Caldara heard the “drumbeat for financial planning” and resisted changing his business for a variety of reasons. “When I thought of moving to planning and fees, it just didn’t make sense for my clients, I thought,” Caldara notes. “However, over the years I realized that I was providing many of the services of a planning-based approach, such as coordinating estate planning meetings with lawyers, working with the client’s CPA, reviewing their insurance documents and more – but wasn’t being paid for it.”

True to his style, Caldara didn’t jump into planning lightly. He first sought out the counsel of three of his best clients who were also his friends. “This was a low-key way for me to get feedback on my new approach and it was overwhelmingly positive. All of them welcomed a planning-based relationship, even telling me, ‘We’ve been waiting for you to do this!’”

Caldara says that the real cause of his resistance was more internal than from the marketplace. “My resistance was about 15 years of resistance mostly in my own head. I was worried that my clients would just see me as their mutual fund guy vs. a true advisor and planner.”

Caldara appreciates the simplicity and ease of use of Advizr, as well as its extended platform that in his words, “ties it all together.” According to Caldara, “Advizr became the perfect tool to use - sort of the double yellow line in the center of the road. It’s not only great for the calculations, but it also has a document vault for all of the clients’ key documents, it has a place for the list of items and action steps that we can implement together, as well as a content sharing tool so that I can distribute personal finance articles and more – it has become our client relationship tool.”

As an example of how this new financial planning and fee-based approach is working for Caldara, he points to a recent success story. “One of my clients is a 61 year old woman who has \$500,000 invested with me on a 12b-1 basis. When I showed her the



Advizr tool, what it does, the calculations it makes, how it communicates where she is and her progress toward goals, she immediately moved that half a million account to fee based. Because of this new approach, and relationship with her, she then introduced me to her mother whose million dollar account wasn't being managed very well and now that has become a very promising referral."

A key resource that Caldara depended upon during his business transformation was the available advice, guidance, coaching and support from the professionals at Advizr. "I always want to be prepared for client meetings, so if there's ever a case where I'm not understanding where numbers are coming from, or how a recommendation fits in, I can simply email Advizr or get on the phone and I get the answers right away. They don't just help us maneuver the software; they can look at the plan outputs and make recommendations. The team at Advizr has reviewed thousands of plans so they are really in a unique position to help."

Going forward, Caldara is excited about the growth prospects for his business. "We live in a day and age where people want to know where they stand. It is becoming more and more of an expectation – regulatory or not – where we as advisors need to show our work, where we came up with our recommendations, how we are guiding our clients and that they feel comfortable that we are on top of things for them."

"After years of commission sales, if I can do this, any advisor can. I am definitely not a rocket scientist!" Caldara notes. "It was frightening at first to make the change, but because I didn't have to learn a big program and Advizr was simple to use, it removed a lot of the anxiety. After 26 years, if I can make the change, anybody can."

Orion Advisor Tech exists to help fiduciary minded advisors realize their unique vision for success. Our innovative technology includes client experience tools, tax-intelligent rebalancing, efficient billing, integrated planning, and automated compliance monitoring, all aimed at empowering advisors to improve their firm's productivity, strengthen client relationships, and disrupt traditional ways of thinking. With more than \$800+ billion in AUA and 3 million accounts on our platform, we have the experience and expertise necessary to help advisors grow and win more than their fair share. For more information, please visit www.orion.com or follow news and insights via our [blog](#).



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