

Future Proof Your Business as a Hybrid Advisor

We've seen these headlines countless times: "*Robo-advice is the way of the future*" or "*Financial institution introduces direct-to-consumer technology*". Many financial executives believe that robo-advisors are on track to replace the roles and responsibilities of human advisors. This narrative has been reinforced in recent months, as the global pandemic has caused many industries to adopt digital and contactless operations. As far-fetched as this sounds, it's hard to deny that the popularity of robo-advice has skyrocketed over the past few years.

Robo-advisors provide fully automated and algorithm-based advisory and wealth management services. They are built to interact with customers directly, often reducing the need for human intermediaries. It's estimated that robo-advisors currently manage over \$128 billion in assets globally, and are on the way to [managing \\$1 trillion in 2020](#).

However, robo-advisors are not immune to contextual limitations. Complex insurance products such as Life and Living Benefits, require an assessment of each client's hierarchy of needs, priorities and individual financial goals. Human advisors still play a critical role here, which is why 89% of life insurance policies are still sold through independent or affiliate agents¹. Clients still turn to a trusted financial advisor for assistance when making impactful financial decisions. Robo-advisors can't replicate the depth of these personal conversations, however, robo technology *can* be used to augment the role of advisors and empower them to be more efficient, effective and profitable.

Below, we will outline how advisors can use technology to their advantage, especially in today's digital-first economy. We will cover why taking a "hybrid advisor" approach - a blend of automated technology and human interaction - will help advisors win clients and grow their book of business.

How Advisors Can Leverage Automated Technology

There are a few insurance-specific examples we can point to that highlight the advantages of automated technology:

- **Client On-boarding** - One of the first steps in engaging with a new client or prospect is to go through a preliminary set of questions to understand their profile and needs. Traditionally, clients would be required to fill out paper forms and a needs analysis just to initiate a conversation with an advisor - which then need to be faxed or scanned, and emailed back to the advisor (and in some cases, dropped off in-person). Technology provides the ability to digitize required questionnaires, allow clients to fill them out

¹ BestLifeRates.org - Life Insurance Statistics, Facts, & Data - <https://www.bestliferates.org/life-insurance-statistics/>

remotely, and provide advisors with the responses immediately as opposed to waiting weeks for completed paper forms. These tools also streamline communications to ensure clients are apprised of next steps, making the process much more efficient.

- **Data collection and analysis** - Technology has made data much more accessible and impactful for insurers and advisors. For example, by digitizing client assessments and application forms, data is automatically collected, analyzed and used to help advisors find the right insurance policies for the client. The amount of data collected will increase with further adoption of digital forms, empowering the industry to better understand trends in client behaviour, purchase patterns and product preferences. This information can then be used in several ways, such as shaping an advisor's marketing strategy now that they have access to granular client behaviour and demographics.
- **Improved Customer Support** - The advancement of technology has also shifted customer service expectations. Clients simply don't have the time or patience to deal with response-time delays or jump through hoops to access support. Chatbots and automated scheduling tools can now be installed on any website, providing clients with immediate, 24/7 customer service - which is a huge competitive advantage for any agency or advisor. Clients no longer need to be placed on hold for hours to get through to support centres, or carve time out of their day to visit their financial institution in-person. Today, clients often base their purchase decisions on convenience, and automated technology can help advisors compete in this area by providing instantaneous service and responses.
- **Task Automation** - Several steps of the sales process can be automated for both clients and advisors. For example, clients can have more control over their portfolios, make changes or renewals to their accounts and receive immediate responses to inquiries. Advisors can automate client emails, application forms, illustrations and quotes, providing them with more time to focus on expanding their business.
- **Cost-Effectiveness** - All of the benefits listed above translate into one very appealing advantage: cost-effectiveness. By utilizing automated technology to streamline operational tasks, advisors save a significant amount of time and resources. Alleviating administrative work allows advisors to spend more time growing and nurturing their client base.

The Limitations of Automated Technology

Now that we've reviewed the benefits and use cases of automated technology, it's important to point out one undeniable commonality: they are *transactional*. They follow a specific set of decision-making guidelines to execute standardized tasks with the goal of getting the client from inquiry to transaction as quickly as possible. Although this is beneficial for the reasons listed

above, the downside is that “robo-advisors” have a limited scope when it comes to context and situation-based recommendations.

The issue is that each client’s financial situation - including risk tolerance, goals and knowledge of available products - is unique. Although robo-advisors work well for the distribution of simplified financial products and investment recommendations, it’s very difficult to take clients through complicated purchase decisions that involve more context around their unique needs and wants; life insurance being one example.

Today’s advisors are truly holistic in their approach to guiding clients through a wide spectrum of financial decisions and considerations. There are trade-offs for clients to consider when deciding on coverage packages, monthly premiums, investment amounts and how these all tie into the client’s overall financial plan and stage of life. Each of these considerations are dynamic and subject to change. For example, the motivation behind purchasing life insurance plans for many clients is to ensure the financial stability of their family. Therefore, there is a level of trust involved in working with a financial advisor to help guide the client through these decisions. Relationships like this take time to build and [cannot be replaced by technology](#)².

The Value of a Hybrid Model

A recent report by EY on the [evolution of robo-advisors](#)³ lists **three essential** components that clients value most when seeking financial advice:

- Performance (Does my financial advisor understand my objectives?)
- Engagement (Do I have enough touch points with my advisor?)
- Trust (Can I trust my financial advisor with my financial health? Does my financial advisor have my best interests in mind?)

The same study concluded that although there are sizeable benefits, “robo-advisors are lacking at adapting to changing circumstances and can’t provide life-stage management effectively”. The claim is that robo-advisors tend to make static assumptions, unlike financial advisors, who have the ability to adjust investment profiles and strategies to match clients’ ever-changing needs.

Consultants and research organizations are continuing to study this field to gain a better understanding of what the future of financial services holds. A [recent study completed by Accenture](#) on the rise of robo-advice revealed that:

- 77% of wealth management clients trust their financial advisors and want to work with them to grow and manage their wealth.

² CNBC - The Future of Robo Advisors - <https://www.cnbc.com/2017/11/05/mit-expert-robert-merton-on-the-future-of-robo-advisors.html>

³ Ernst & Young - The Evolution of Robo Advisors - [https://www.ey.com/Publication/vwLUAssets/ey-the-evolution-of-robo-advisors-and-advisor-2-model/\\$FILE/ey-the-evolution-of-robo-advisors-and-advisor-2-model.pdf](https://www.ey.com/Publication/vwLUAssets/ey-the-evolution-of-robo-advisors-and-advisor-2-model/$FILE/ey-the-evolution-of-robo-advisors-and-advisor-2-model.pdf)

- 81% believe that face-to-face interaction is important

This study looked at both the benefits and limitations of using robo-advisors, and concluded with the following opinion: “There are parts of the client-advisor relationship—such as reassuring clients through difficult markets, persuading clients to take action and synthesizing different solutions—that should remain the province of the financial advisor for the foreseeable future⁴.”

Therefore, we can be confident that robo-advisors are *not* going to completely replace financial advisors. Our view is that the industry is shifting towards a “hybrid model” in which automated technology accelerates transactional tasks and augments how human advisors interact with clients to meet their individual needs.

What Does the Future Hold for Financial Advisors?

In order to help financial advisors compete with the speed and efficiency of robo-advisors while still providing the level of support required, we want to direct the conversation around understanding how financial advisors can embrace technology to complement and enhance client relationships. As outlined above, using technology to build an unbeatable client experience will be a key factor of success for advisors, insurance providers and wealth management firms alike in the imminent future.

Advisors will learn how to adopt new types of technology that can reduce or even eliminate paperwork, automate traditionally tedious tasks, leverage data more effectively and improve customer service. By offloading fragmented parts of the process, advisors can spend more time on meaningful client interactions, building and maintaining the trust required to truly support their clients.

At [Finaeo](#), we believe the future of advice isn’t “robo”, it’s a hybrid model - a combination of automated technology and the required human touch. Hundreds of advisors across Canada are using Finaeo to strengthen client relationships and power their business in a remote world. Our solutions are built with hybrid advisors in mind, as we believe that technology needs to support the work of advisors in order to truly elevate the client experience.

To learn more about how you can access Finaeo for free, please visit www.finaeo.com/advisor-tools/ or book a call with our team using [this link](#).

⁴ Accenture - The Rise of Robo Advice - <https://www.accenture.com/acnmedia/PDF-2/Accenture-Wealth-Management-Rise-of-Robo-Advice.pdf>