

Wealth Tech Trends: From Engagement and Adoption to Barriers and Opportunities

How Wealth Management Firms Can Advance
Advisor Productivity and Impact





Introduction:

When it comes to technology in the wealth management industry, recent years have brought only one constant: innovation. By lowering the barriers to individual investing, financial technology has compelled many advisors to broaden their service models and foster deeper, more holistic client relationships. While the historical approach has had most of the focus on personal touch, now more than ever technology plays a vital role in helping advisors expand their service offerings, deepen their understanding of clients and free up time to nurture relationships—all essential for growth.

Today, there is a broad range of new and old technology solutions – but not all of them are well suited to support advisors. And while the pandemic has triggered many firms to adopt technology solutions faster, there also remains a major gap in adoption and understanding of how to use what's available to maximize an advisor's value to their clients as well as for their business.

To better understand how wealth management firms can best harness and leverage increasing technology adoption, InvestmentNews Research and InvestCloud surveyed more than 400 advisors and advisory firm decision-makers about the technologies they are using today. Our research focused on four main areas: understanding adoption rates across a range of technology solutions; identifying the barriers and disconnects in getting advisors to use these technologies; pinpointing where there is room for improvement; and discovering where there are major opportunities for firms to provide a better digital experience.

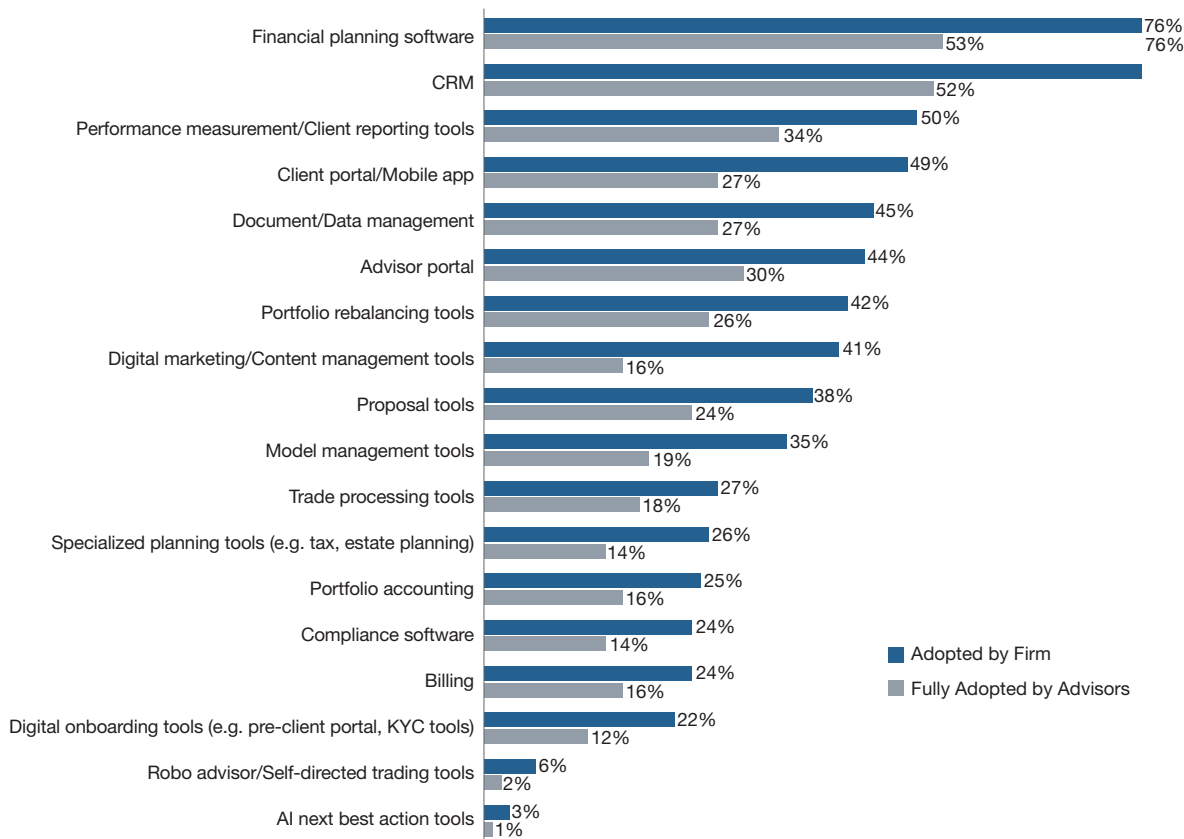
Our goal was to deliver unique insights into the industry's technology needs and usage so that firms can assess whether their priorities are aligned with advisors. As you will see, there is indeed often a disconnect between the user and the decision-maker. This study highlights those findings.



A Look at the Tech Stack: Early Innings of Adoption

- Overall, the wealth management industry is still in the early days of fully adopting many available technologies. Among 18 key in-demand solutions, other than financial planning software and CRM, there was a 50% or lower adoption rate among surveyed firms in general, and even lower uptake among individual advisors.
- With such low adoption rates, we recommend that wealth management firms evaluate their tools to figure out whether they are really fit for purpose. Where solutions are found to meet the objectives for which they were selected, wealth management firms should create an advisor-focused strategy to better articulate the benefits of using these tools. They should also deploy systems that integrate across tools and functionality in order to grow their business.

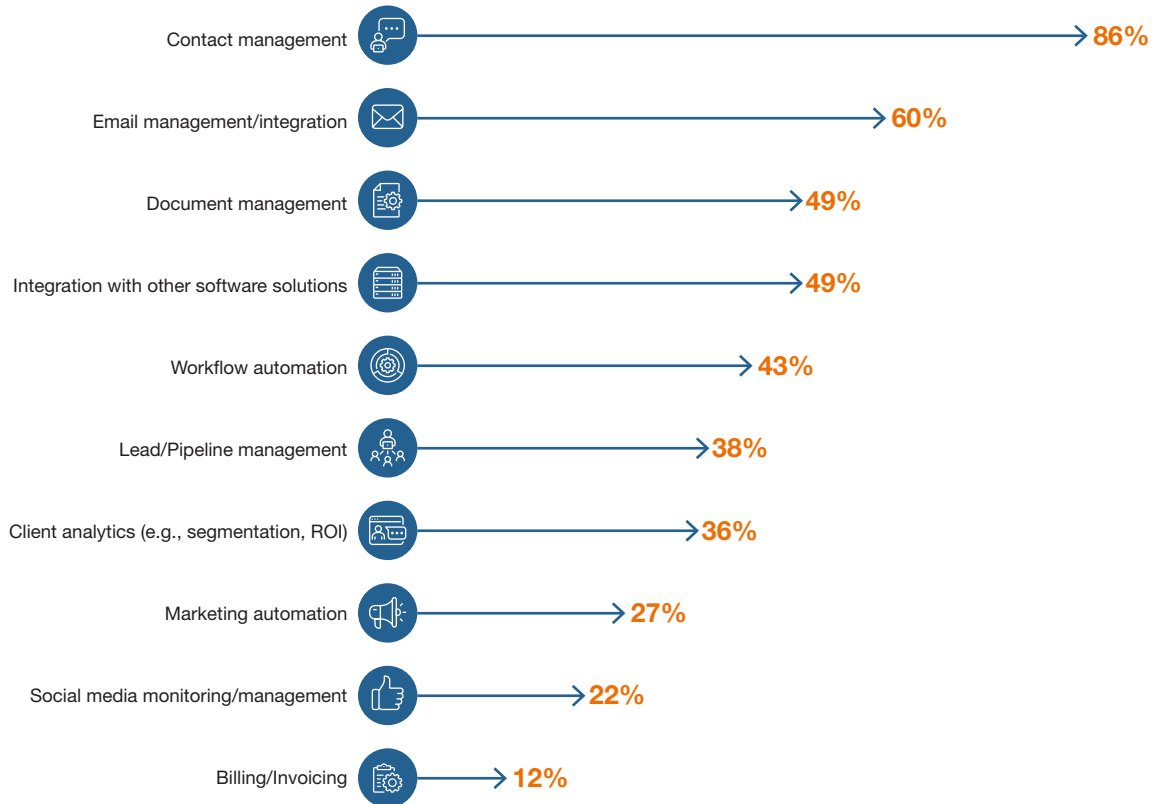
WHAT TECH TOOLS ARE IN USE AT YOUR PRACTICE?



CRM Usage: The Tip of the Iceberg

- CRM, along with financial planning software, continues to see the highest adoption rate among advisors; however, our survey found that **advisors underutilize most features within CRM platforms.**
- In fact, advisors utilize an average of just four out of 10 functions within their CRM system. And the functions they rely on most tend to be the most basic – contact management and email management are the only solutions used by more than half of advisors.
- Only about half of advisors integrated their CRMs with other software, which means there is a huge opportunity for firms to help advisors connect the dots and harness holistic client lifecycle management (CLM) solutions. Point CRM solutions seem to be falling short.
- Part of connecting the dots is connectivity. **We found that many in-demand software and tech tools are still not even integrated with CRM systems.** Integrating these systems with CRM and CLM is a critical next step for firms to focus on.

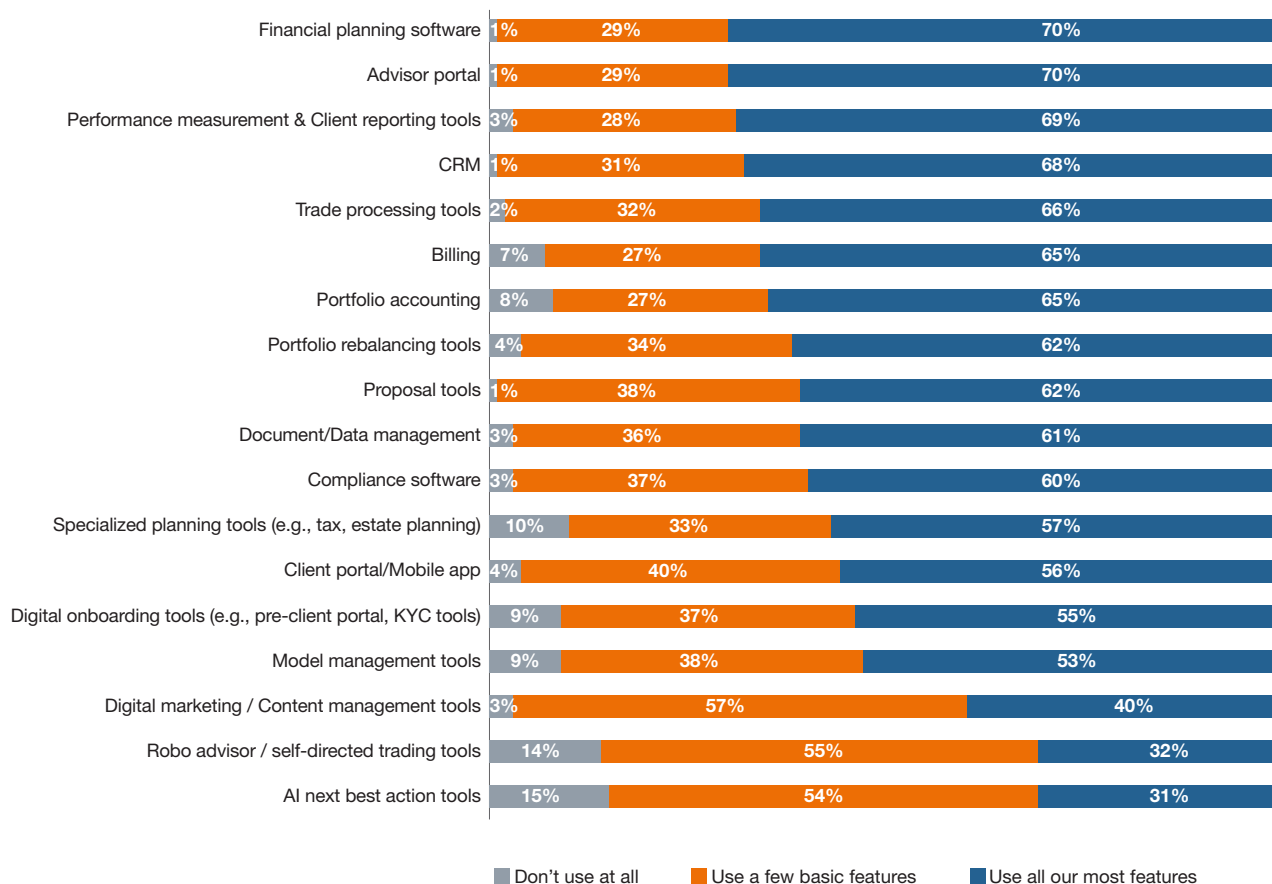
CRM FUNCTIONS USED



Advisor Technology Usage: Barriers, Disconnects and Opportunities

- Even among the most-used offerings – such as financial planning software, advisor portals, performance measurement and CRM – there is still a long way to go in reaching full adoption.
- And looking at the many other solutions available to advisors now, there is significant opportunity to increase the awareness of benefits and therefore, the usage of some of these other important tools.
- In areas where advisors indicate either no usage or limited usage – including digital marketing / content management applications, model management tools, digital onboarding functions, AI and specialized planning tools – there are obvious opportunities for wider adoption.
- Our advisor survey findings demonstrate the distance the industry must go in driving better awareness and articulating the benefits of the many wealth tech solutions on the market. As wealth managers look to define their strategy, we recommend dedicating focus on several key areas of technology support.

ADVISOR USE OF TOOLS AVAILABLE AT THEIR FIRM



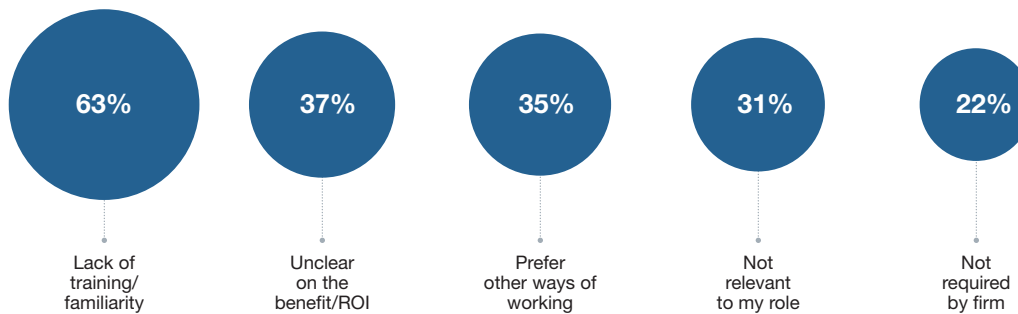


What are the barriers?

We were curious to understand not just the **WHAT**, but the **WHY** when it comes to low adoption. Our research found that:

- **Lack of training** was the top factor. Nearly two-thirds of surveyed advisors cited a lack of familiarity and training as reasons they don't use their technology.
- While we are starting to see more enterprise firms and large RIAs dedicate more resources and time to training advisors in order to address this issue directly, there is also an opportunity to engage their technology solutions providers to partner with them on this training.
- 37% of advisors cited lack of clarity on the benefits as another reason they don't fully utilize technology. This underscores the need to embed the value proposition of solutions into the training narrative.
- Better training will help increase adoption: 50% of surveyed advisors said they would use technology more with improved training.

WHY DON'T YOU MORE FULLY UTILIZE YOUR FIRM'S SOFTWARE?





Users vs Buyers: Are They Aligned?

In our survey, we set out to understand the technology offerings advisors were most satisfied with as well as the ones that needed improvement, and then cross-referenced their responses against the priorities of the technology decision-makers. We found the highest levels of consensus between advisors and decision makers on need for improvement in the following areas:

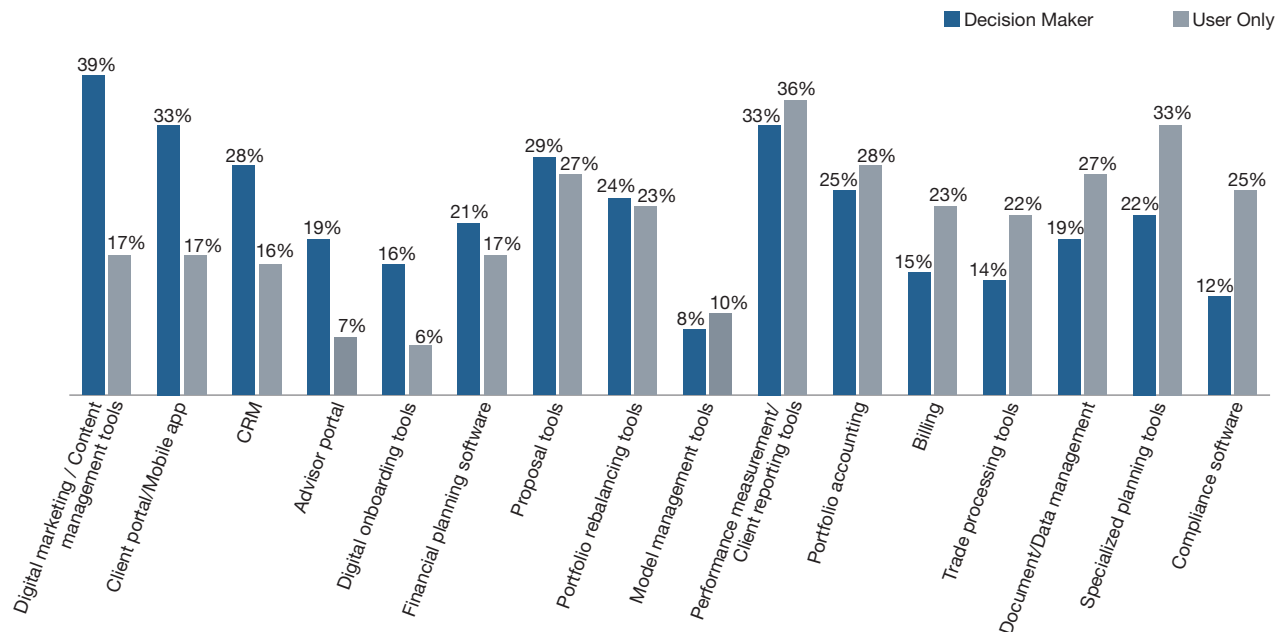
- **Client Reporting tools (including Performance Measurement):** 36% of users and 33% of decision-makers
- **Proposal Tools:** 29% and 27%, respectively
- **Portfolio Rebalancing tools:** 24% and 23%
- **Portfolio Accounting tools:** 25% and 28%

Interestingly, the areas showing the greatest disconnect between users (advisors) and the decision makers were:

- **Decision-makers** felt much more strongly than advisors about the following areas for improvement: Digital marketing / Content management tools (39% vs. 17%), Client portal / Mobile app (33% vs. 17%), CRM (28% vs. 16%) and Advisor portal (19% vs. 7%)
- **Advisors** felt much more strongly than decision makers about the following areas for improvement: Specialized planning tools (33% vs. 22%), Document management (27% vs. 19%) and Compliance software (25% vs. 10%).

We believe these survey results somewhat predict where firms will focus their spending (on areas of consensus between the users and the decision makers). But equally, there are areas that decision makers are clearly prioritizing even if the advisors aren't realizing how much improvement is needed (for example, client portals). And there are other areas that are causing advisor pain (e.g., specialized planning tools) that probably merit decision maker prioritization.

WHAT PARTS OF YOUR FIRM'S TECH NEED A LOT OF IMPROVEMENT?





Technology is Powering the Move to Holistic Advice

Technology has proved critical in the movement toward holistic advice. In a time of great uncertainty, clients are increasingly looking for advisors to provide holistic advice in addition to traditional investment management and retirement planning services. In fact, 75% of the advisors we surveyed stated that holistic planning is essential to the future of their business.

Technology is increasingly responding to this need and empowering advisors to look at a client's financial needs and assets more comprehensively. While comprehensive financial plan development leads the way in which tech is assisting advisors, other major opportunities to provide holistic advice include tax planning, personalized investment strategies and insurance planning.

Holistic and hybrid advice are all the more important as more wealth managers seek to capture the full spectrum of advice, as clients grow older and change asset levels – this is critical to relationship longevity for wealth managers, and therefore to client retention.

Wealth management firms should focus on technology offerings that provide advisors with best-in-class solutions that also help them better serve their clients holistically and, where appropriate, in a hybrid digital-human way.

WHERE HAS TECH HELPED YOU PROVIDE MORE COMPREHENSIVE SERVICE?



Comprehensive financial plan development



Tax planning



Personalized investment management strategies



Insurance planning



Cash-flow planning



Education/college planning



Trust planning



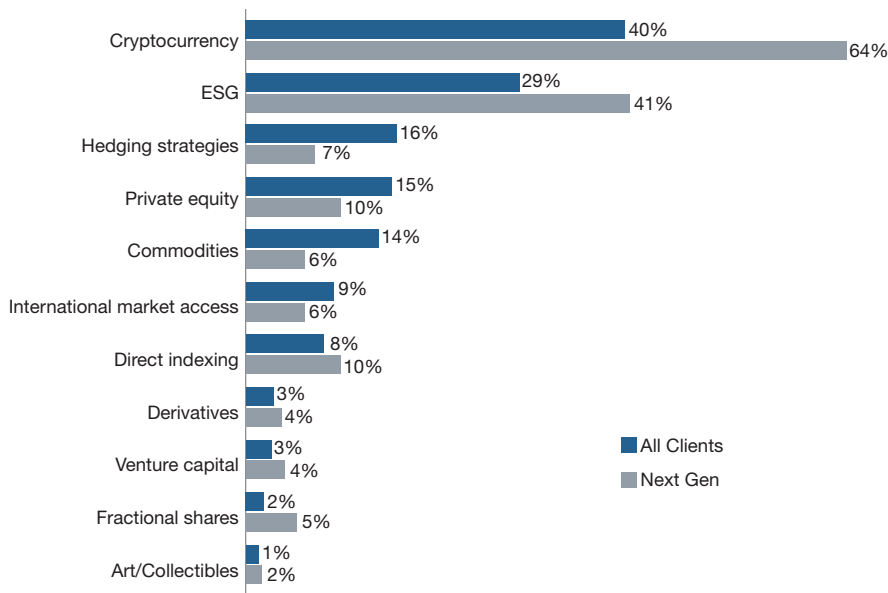
Charitable giving



The Democratization of Investing

- The right technology makes it easier for advisors to offer more personalized investment management strategies to their clients.
- Those personalization opportunities – while still far from common – are timely. One interesting way this is borne out is in new investment strategies, which are of keen interest to clients, particularly for the next generation of investors. Our research showed that ESG and cryptocurrency are the strategies drawing the most interest.
- Besides the hype that digital currencies get, the bigger takeaway is to look for a technology partner that has an extensive and expandable data model – one that can accommodate the many asset classes that are already out there and can help wealth managers grow as the field expands and investor preferences change. It also means ensuring your technology partner can accommodate private and not just exchange-quoted assets (such as for real estate and collectibles).
- Technology will play a critical role in democratizing these investments, enabling advisors to make these investment offerings readily available and easy to implement.

WHAT INVESTMENT STRATEGIES RECEIVE THE MOST CLIENT INTEREST?





What Next? Actionable Steps for Enterprises

Some technology has the potential to expand advisors' service offerings, create considerable scale and efficiency, and, most important, deepen relationships with clients. But sifting through the many offerings out there can be challenging. The survey results also show that advisors have a way to go in terms of technology investment priorities and adoption. Roadblocks remain in training advisors on new technology, articulating the value proposition of new solutions, and understanding where the advisor is experiencing frustration or sees room for improvement.

Fortunately the survey surfaced a few actionable steps that wealth managers can take to select and make use of the right technologies that will enhance the client experience and their businesses:



Connect the dots. Whether it's the advisors or the decision makers responding, it's clear that communication and planning are top of mind. Wealth managers are clearly very focused on CRM systems as part of this – and indeed the client lifecycle management gaps left by traditional point CRM solutions. Wealth management firms can improve client service and employee satisfaction by picking the right solutions and ensuring they integrate well.



Explain the value. It's up to the firm to articulate the value of using new tools to grow an advisor's business as well as to retain clients. In many cases, these efforts may be falling flat: Nearly four out of 10 advisors in our research said they don't fully utilize a firm's software because they are unclear of its benefit or ROI. Making sure the advisor knows those solutions are there and knows how to access them is key.



Lean in. There's often a disconnect between where advisors and decision makers see room for technological improvement. For example, our research found that a large portion of advisors see specialized planning tools as an area that needs major improvement, which appears to be a bit of a blind spot for decision makers. Wealth managers can employ a number of initiatives to find out what their advisors (and their clients) think of existing technology. A few include: anonymous surveys, 'lunch and learn' sessions, or appointing a specific advisor to provide periodic input on technologies.



Expand training. A lack of training is — by far — the leading reason advisors don't use existing technology, with nearly two-thirds of surveyed advisors citing a lack of familiarity as their main impediment. Already, leading wealth management firms are dedicating more time to training, but firms should continue to analyze its effectiveness and engage their technology solutions providers to partner with them on training initiatives. As part of that training, firms can explain the value proposition of new technologies to get better buy-in from advisors.



Partner with the right technology firms. Wealth managers shouldn't try to bridge the technology gap alone. Finding the right technology partner can help with training, and more importantly, work alongside enterprises on future solutions development of future solutions and enhancement of existing offerings.

Current expectations in engagement, productivity and ease of use are borne from the everyday digital experiences we enjoy as consumers. Correspondingly, investor clients expect a holistic approach to their wealth and want their financial advisors to understand them. The digital portal used by clients serves as an extension of that experience and influences the advisor-investor relationship. There's an expectation of rich, personalized engagement with digital.

Wealth management firms need intuitive, seamless technology that has been thoughtfully designed. It needs to be flexible and deliver access to a single integrated platform that serves front, middle and back-office requirements.

Today's technology is available to meet many of the needs cited by the 400+ advisors we surveyed. As a world-class technology provider to more than 700 investment firms, InvestCloud, in partnership with InvestmentNews, sought to understand from enterprise firms and advisors their technology priorities and needs and to identify areas of alignment as well as the disconnects. Informed by the candor of our survey participants, along with our everyday client collaborations, we will continue to innovate well-designed digital solutions that create empathetic experiences for our valued clients.

Like the firms represented in the survey, we are dedicated to providing the future of wealth management. The key is to challenge orthodoxy, and embrace New Think—a simple principle that digital transformation must start with the user. Once this thinking permeates the wealth firm, new opportunities are unlocked. Increased client engagement, retention, growth and operational efficiency all await those wealth management businesses ready to make the leap.



About InvestCloud

InvestCloud is a global company specializing in digital platforms that enable the development of financial solutions, pre-integrated into the Cloud. The company offers on-demand client experiences and intuitive operations solutions using an ever-expanding library of modular apps, resulting in powerful products.

Headquartered in Los Angeles, InvestCloud has over 20 global offices including New York, London, Geneva, Singapore, and Sydney, supporting trillions in assets across hundreds of diverse clients – from the largest banks in the world to wealth managers, asset managers and asset services companies. For more information, visit www.InvestCloud.com

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For more information about InvestmentNews' benchmarking and custom research, please contact Devin McGinley at dmcginley@investmentnews.com.