

Wealth Management™

Why the Industry Is Ready for a Wealth Management Network

By Rich Touhill, Director, Product Management & Strategy, Investment Services, Fiserv



Thirty years ago, the idea of a wealth management network enabling the managed account industry to easily connect vast amounts of data between sponsors, asset managers and custodians was a dream. Today, that vision is becoming a reality as a comprehensive shift toward digital engagement promises to accelerate the connection of industry participants and increase efficiency and productivity.

A Digital Evolution

Technology has become an integral part of wealth man-

agement. Smartphones, mobility technology and digital connectedness have become part of our everyday lives, with user experience driving mainstream adoption of digital financial services for consumers and financial institutions. Data is driving the digitization of wealth management and the next wave of innovation, where backend systems are coming together to form integrated wealth management platforms and drive network convergence.

The story of the coming wide-scale adoption of a wealth management network is the story of the evolution of technology itself and the industry's ability to offer greater

flexibility to financial services clients. Due to advances in technology, once closed systems have been opened and solutions can now be unbundled, allowing firms to access a wealth management network without having to become full-service clients, which was required just only a few years ago. The barriers to entry and cost have been reduced, allowing financial institutions the opportunity to improve their efficiency without having to pay for services that they don't need or want.

Industry service providers and vendors are now bringing new technologies to bear that allow them to offer improved efficiency to participants already on a wealth management network. New digitized interfaces are being created to accommodate industry standards for applications such as file transfer and open-source messaging that are supported by leading industry associations.

Breaking Down Barriers

The adoption of technology in financial services has followed a trend, beginning with consumers and retail commerce. Next came retail and online banking and trading. Wealth management firms are next, with the push toward digital advice requiring technology to deliver more efficient connections and a single consolidation point for data.

Today, advances in security and white listings, IP addresses and the general security governing an Internet connection means that financial institutions can perform tasks that they would not have even considered five or ten years ago without a dedicated line or VPN (virtual private network) connection. Historically, the wealth management industry has lagged in adopting cutting-edge technology. But improvements in network security have meant that firms can now transact in a secure and more auditable manner. Custodians have moved toward open architecture and APIs (application program interfaces). RIAs also have delivered supermarkets of capabilities.

Technological advances continue to reduce costs.

Whereas most systems were closed 10 to 15 years ago, we can now unlock and unbundle the power of those huge systems and decouple features to make operations more plug-and-play.

A Critical Juncture

To be sure, the benefits of a wealth management network are undeniable. A fragmented distribution channel has hampered revenue growth for asset managers in particular as they have struggled to handle volumes and increase distribution in managed account and model delivery programs. Lack of industry-standard communication and the existence of multiple sponsor programs mean that manager firms have to access several systems to perform manual repetitive tasks.

The industry is now at a critical juncture. Managed account industry assets are expected to grow at a double-digit rate, with total assets projected to reach \$6.9 trillion by the end of 2019, according to Cerulli Associates. Now more than ever, there is a need for greater efficiency, communication and automation between industry participants as managers seek greater access to sponsors, and sponsors look to streamline their interaction for supporting managers. The benefits are clear, from the ability to securely manage portfolios, to web-based interfaces that streamline the workflow process for asset managers to communicate seamlessly with managed account sponsors, to increased efficiency and minimized errors from automated data collection, modeling and trading notifications.

The timing is perfect for the wide-scale adoption of a wealth management network. Technology has vastly reduced the costs and barriers to entry. Simplified and streamlined communications are ready to bring industry participants together, creating synergies that will lead to greater growth in the wealth management industry.

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