Technology and the Future of Advice
Addressing Evolving Investor Needs
Executive Summary

Financial advisors must keep pace with investors’ changing needs and expectations. That requires expanding beyond a mindset focused on financial assets and liabilities to exploring opportunities for deeper conversations about aspirations and goals that include personal health, leisure, estate planning, long-term care and insurance. However, offering a holistic and personalized approach to financial planning requires advisors to overcome hurdles, which include navigating disparate systems and the need for better workflow efficiency and enhanced wealth management technology. This paper will explore the role of technology in optimizing advisor productivity to build better, more personalized relationships that address clients’ evolving needs and improve investment outcomes.

Key Points
• Clients’ most valued aspect of their wealth management experience is personalized advice from a trusted partner
• A pivot to holistic advice offers advisors the ability to deepen their understanding of clients’ concerns and identify additional solutions that can substantially improve clients’ outcomes, thereby creating a mutually beneficial feedback loop
• Technology will transform the basis of advisory relationships from being centered on accounts and products to being focused on managing progress from the clients’ perspective

Key Implications
• Instead of existing at distinct points along a digital-to-human advice continuum, wealth management firms will need to offer platforms that allow their advisors and clients to choose which parts of their relationships will be digitally enabled
• By optimizing platforms to assume or streamline managerial and process-driven activities, firms can increase the time advisors are able to spend on their most valuable functions
• With enough momentum, the technology platform should become the core delivery element of the firm’s client service model and, ultimately, its culture
Evolving Investor Needs: A Pivot Toward Planning

The demand for financial advice is strong and growing. In fact, the portion of advisors’ clients receiving comprehensive ongoing advice has grown from 33 percent to nearly 50 percent over the past ten years, according to the 2019 Fiserv and Cerulli report "Subtract, Add, Multiply – The Formula to Efficiency." So what’s driving the recent growth toward financial planning?

First, consumers are asking for help. Employers today no longer systematically provide the pensions or defined benefit plans that some from previous generations relied on in retirement. With the responsibility of funding retirement now largely left to workers, individual consumers are responsible for figuring things out on their own.

Second, for some, managing money is simply a pain. Expectations & Experiences: Household Finances, the 2019 consumer trends survey from Fiserv, found that managing money is considered a burden for 31 percent of consumers. More than half (57 percent) say it’s because managing finances is “something I have to do, not something I want to do.” (See chart at left.)

Third, the explosion of robo-advisors has heightened awareness for financial planning and contributed to increasingly financially savvy clients. At the same time, innovations in this area have also exposed limitations of such systems, which lack the human interaction or cognitive intelligence that consumers want and need as they approach complicated and emotional financial decisions.

Lastly, regulatory changes and discussions have also escalated the need for financial planning. Though the Department of Labor (DOL) Conflict of Interest Rule was vacated, it raised the issue of advisor transparency in the process. Consumers now seek out more detailed, personalized information from their advisor, including a financial plan, than ever before. Today, we’re also seeing regulatory bodies move forward with other standards, such as the U.S. Securities and Exchange Commission (SEC) Regulation Best Interest and individual states introducing proposals of their own.

### Why Is Managing Finances a Burden? (among those who agree managing finances is a burden)

- Managing money is something I have to do, not something I want to do: 57%
- Reminds me of my financial troubles: 49%
- I do not like to see the money I am spending: 33%
- It takes too much time: 32%
- I always get conflicting opinions about what to do: 15%
- I need to use multiple websites and tools to manage: 12%
- The tools do not provide enough useful information: 9%
- Other: 2%

Survey question to all respondents: How strongly do you agree or disagree with the following statement? / Survey question to those who find managing finances to be a burden: For which of the following reasons is managing finances a burden? For which of the following reasons is managing finances a burden?
Delivering Holistic Advice: The Perfect Storm of Advisor Capacity Challenges

Advisor demographic realities and consumer preferences are combining to create a crucial inflection point for the wealth management industry and financial advice market. Since 2007, the headcount of full-service financial advisors serving U.S. investors has fallen more than eight percent from nearly 340,000 in 2007 to 311,000 by year-end 2017, according to the Fiserv and Cerulli report mentioned earlier.

Unfortunately, the departure of these advisors is highly correlated to the retirement of their clients, which only increases the depth of demand for advice on the vital financial decisions facing them as they enter the next stage of their lives. Instead of investing in growth initiatives, advisors frequently struggle to service their existing client base.

Addressing an increased demand for advice in the face of falling advisor headcount is a primary obstacle facing firms in the financial services segment. Delivering truly customized holistic advice has proven resistant to scaling for a variety of reasons. At the practice level, leading firms are adding younger staff members to take on advisors’ administrative tasks, but this frequently leads to increased complexity, which ultimately offsets targeted productivity gains. To succeed in this market, firms must substantially increase their ability to provide technology that allows advisors to implement processes to serve the needs of clients more efficiently.

Top Challenges to Initiating Holistic Advice

<table>
<thead>
<tr>
<th>#</th>
<th>Percentage</th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>79%</td>
<td>Lack of integration across technology platforms</td>
</tr>
<tr>
<td>#2</td>
<td>64%</td>
<td>Complexity of planning processes</td>
</tr>
<tr>
<td>#3</td>
<td>61%</td>
<td>Unrealistic expectations for time frames or volume</td>
</tr>
<tr>
<td>#4</td>
<td>57%</td>
<td>Quality of financial planning tools</td>
</tr>
<tr>
<td>#5</td>
<td>57%</td>
<td>Inconsistent processes</td>
</tr>
</tbody>
</table>

Source: Fiserv and Cerulli Associates, Subtract, Add, Multiply – The Formula to Efficiency, 2019
The Formula to Efficiency: Optimized Technology to Refocus the Advisor to Client Core Values

Technology’s primary objective must be to provide the tools that free advisors to spend more time on core client-facing activities. To make this a reality, one must first step back and identify the key impediments to advisor productivity.

When asking practice management professionals about the specific burdens limiting advisor productivity, the dominant theme was an inefficient use of available resources within practices. Ineffective delegation, weak process mapping, inconsistent procedures, and an inability to optimally use their technology platforms combine to comprise a definitive watchlist of worst-case scenarios for advisory practices, according to the Fiserv and Cerulli report referenced earlier. Fortunately, potential impact of each of these threats can be substantially reduced with the thorough implementation of a fully integrated front-to-back wealth management solution.

True disruption is best found in simplicity. The initial success of firms such as Amazon and Uber was not attributable to completely reimagining their segments, but rather in making it ludicrously simple for consumers to do things they were already doing – using a few clicks to buy a book or get a ride. By focusing platform design on the same objective, wealth management firms can empower advisors to put all their efforts on the clients’ most valued aspects of their wealth management experience: personalized advice from a dedicated advisor.
Increase Efficiency: Streamline the Process for Advisors

With consumer preferences trending toward elevated, personalized advice, increasing advisor capacity for sales, planning and advice is a top priority for wealth management providers. But it might surprise you that advisors spend only about 45 percent of their time on core activities vital to this process: prospecting, preparing, holding client meetings, and professional development, according to the Fiserv and Cerulli report.

With the amount of time advisors allocate to client-facing activity being a crucial factor to success, wealth management technology platforms should be designed with the goal of facilitating increased advisor-client interaction both in person and digitally. By optimizing platforms to assume or streamline managerial and process-driven activities, firms have the opportunity to more than double the time advisors are able to spend on their most valuable functions.

The most addressable opportunity to free advisor time is the creation of workflows to delegate standardized procedures with an advisory practice. As a first step, firms should identify high volume tasks that rely on structured data and involve time-intensive, manual processes by advisors or other staff. In these instances, it makes sense to introduce automation and technology. This will realign precious advisor resources to focus on where they add the greatest value – building client relationships – rather than keying in data or completing other repetitive activities.
Add Connectivity

Optimizing advisor productivity in a model focused on holistic financial planning will require technology platforms that effortlessly integrate a variety of data sources, with the goal of a single hub to monitor and manage clients’ entire financial profile from investments to banking to insurance.

Under this model, technology will transform the basis of advisory relationships from being centered on accounts and products to being focused on managing progress from the clients’ perspective. No longer will financial planning be a distinct event producing a 100-page plan document, but an ongoing process in which advisors and clients will continuously collaborate with a variety of entry points and focus areas based on clients’ immediate concerns.

Firms will be able to optimize their advisors’ productivity by using their internal data more strategically to help better identify opportunities and prompt action. Initially, this could be implemented through customized dashboards to help advisors visualize their client bases and identify opportunities to drive revenue growth and client satisfaction, by explicitly linking actions to outcomes. The system could identify those clients who had yet to engage in comprehensive planning, then track the incremental growth of the relationship based on the specific actions the advisors pursued in each scenario. This would allow the firm to fine-tune its recommended courses of action and provide advisors with specific outcomes they could expect by escalating their scope of engagement for each client.

Source: Fiserv and Cerulli Associates, Subtract, Add, Multiply – The Formula to Efficiency, 2019
Modular Planning: Advisors Need Flexibility From Systems and Technology to Better Serve Clients

It is important to look at the process and approach to financial planning and advice itself. Today, advisors often feel compelled to finish a financial plan in one or two meetings with clients. They'll go through an exhaustive list of questions that their system dictates and produce a monolithic paper report that at best gets revised annually.

But this isn't how consumers operate today. Their lives are dynamic and so should the technology be that advisors use to produce a financial plan. While it may seem counterintuitive, firms can modernize their systems by enabling the financial planning process to be taken in phases instead of all at once. To make this happen, however, requires flexibility and configurability from technology. A single financial planning system that supports the very simple to the very complex as opposed to one or the other is a good place to start. By taking this type of modular approach, the process becomes much more manageable and improves the experience for both the advisor and client.

Additionally, flexible data entry that's interactive with the client can also smooth the process. With this in place, a plan doesn't need to happen with all the fact finding in one meeting. Instead, it can shift to a continuous process where the advisor can gather whatever information is needed at a given time and then add to it over time as the client relationship evolves.
The Path Forward: Embrace a Digital Future

Despite facing challenges, the traditional advisory model is poised to take a transformative step forward. By implementing enhanced technology platforms that fit the requirements of both today’s advisors and clients, wealth management firms can seize an opportunity to become indispensable for both segments.

Within this framework, digital tools will complement, not replace advisors, by freeing them to focus on their most valued activities – connecting with clients and prospects to help guide them toward attaining their financial goals. Instead of feeling threatened by the rise of digital tools, advisory practices should embrace them to help clients better understand the potential breadth of their engagement. Educating clients about the features and benefits of a practice’s digital offerings will become a progressively important part of client engagement strategy.

In an era of increased connectivity, practices that do not seize the chance to become the focal point of their clients’ holistic wealth management services are ceding the opportunity to their competition. Not every client will take advantage of these options, but each one who does is likely to be more satisfied and secure than they were previously. By making their digital platforms a true differentiation point, wealth management providers can transform themselves into essential conduits enabling mutually beneficial advisor/client relationships.
Connect With Us

To learn more about Financial Advice Management from Fiserv, call 800-872-7882, email getsolutions@fiserv.com or visit fiserv.com

About Fiserv

Fiserv is driving innovation in Payments, Processing Services, Risk & Compliance, Customer & Channel Management and Insights & Optimization. Our solutions help clients deliver financial services at the speed of life to enhance the way people live and work today. Visit fiserv.com to learn more.