



# The Future of Wealth Management Is Digital

Improving digital capabilities is the #1 growth strategy for wealth managers over the next two years.

Wealth management is on the cusp of a digital overhaul. Fast-moving competition from tech-savvy challengers is driving wholesale change, leading the financial services industry to the brink of the largest digital evolution yet.

A recent survey\* conducted in late 2015 revealed that almost all wealth managers view digital capabilities as key for future competitiveness, supplementing face-to-face relationships, and boosting overall efficiency. Across the sector, most are planning a major investment in order to prepare themselves for a digital shift. Even so, they have a lot to do. The survey results show that there is a chasm between wealth managers' current digital capabilities and their ambitions. Even some of the larger firms in the sector admit they have a lot to do before they will be ready.

## The current gap

The size of this digital gap was revealed in the survey. An overwhelming majority of the large, mainly U.S. wealth managers surveyed were gearing up for major technological change. With assets under management averaging \$72 billion, respondents included bank-owned U.S. wealth managers, insurance-owned wealth managers, and registered investment advisors, as well as family offices.

Upgrading digital capabilities was at the forefront of almost all firms' plans. It was the top-ranking growth strategy over the next two years, followed closely by increasing

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advisor productivity. And in an almost unanimous response, 96% of respondents viewed it as essential for fostering relationships with clients and enhancing operational efficiency.

The scale of the task is clearly huge. When it came to evaluating their readiness, respondents were realistic. Three-quarters (75%) reported that their suite of digital applications needed to improve – perhaps even more revealing, almost a quarter said they needed to improve “significantly.”

## Digital disruption

Digital technology appears poised to disrupt the entire financial services industry. From blockchains, to digital payments, to online marketplaces, fintech innovation is growing quickly. In wealth management, the threat comes from robo-advising, an online wealth management service that provides automated, algorithm-based portfolio management advice without the use of human advisors. For wealth managers to

prosper, they need to prepare for how these technology-driven challenges will affect customer expectations and engagement.

The simple automation of robo-advising is resonating strongly with the tech-savvy Millennial generation. This generation's preference for digital communication is closely aligned with the technology disruption taking place across the wealth management industry. Providing financial advice through mediums that resonate with Millennials is essential for future growth, especially given that this generation will inherit more than any other generation in the coming years.

As they age, Millennials may come to value personal contact with relationship managers, the research surmises. So it's unlikely robo-advisors will take over client management completely. Those wealth managers that can seamlessly link digital and in-person advising experiences throughout the client lifecycle will be in the best position for long-term success.

## Accelerating change

Some observers see technology and the advent of new online competitors as the biggest development in this era of banking. Many firms recognize that they will have to go through significant transformations in order to remain competitive. The wealth managers in the survey consistently emphasized the need for more digital capabilities, seeking wholesale change to make their platforms, systems, and processes more efficient.

As part of this drive, they reported developing a range of technology tools to support relationship managers. These include: client calculation engines, modeling and simulation, automation of financial advice plans, and analytics. All of these tools will improve efficiency and client service.

All of the wealth managers' plans showed a constant emphasis on digital throughout. Social media networking and collaboration is

a particular highlight, with almost three-quarters (74%) believing this will be an important way of attracting and supporting clients over the next two years.

### **From social media to digital content**

Wealth management firms are starting to adopt social media from Snapchat, to Twitter, to Facebook, both for internal use and customer interaction. Some 88% of survey respondents say that increased social media use influences their digital strategies. Seventy-one percent also expect to collect data through social media over two years, up from just 29% today.

Wealth managers' digital content may also be set to become an area of fierce competition. Seventy percent of respondents monitor not only their own websites, but also their competitors' websites. With the internet as the virtual high street, websites have

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become shop windows. Keeping their content fresh and engaging is essential to managing the business.

### **Smartphone and web delivery**

Yet it remains whether the changes revealed by the survey are truly transformational or simply embellishments of existing platforms. Specific plans indicate that after the initial push to move services online, wealth managers are now preparing for a second stage, with a particular focus on mobile.

Over the next two years, websites will deliver a wider range of services. More than half (55%) of respondents intend to provide account-opening forms online in two years, up from 29% currently available today. Forty-five

percent will offer portfolio and financial planning simulation tools online in two years, up from just 13% and 8%, respectively.

Reflecting smartphones' growing capabilities, many services already online will soon be available on mobile. While only 37% of firms currently offer portfolio statements via mobile, 68% are anticipating being able to do so in two years. Additionally, almost two-thirds (63%) of wealth managers intend to send out mobile alerts about market events in the next two years, indicating an increased focus on proactively building relationships even when clients are on the go.

### **The digital future**

In line with the old industry maxim "be where your clients are," developing new technologies and mobile applications will forge stronger links with new generations. Designed correctly, such apps will help to identify client needs earlier and with greater accuracy. They will also provide online channels for transactions, advice, and information exchange, as well as client-to-client networking. As a result, wealth managers may be better able to develop new offerings for their current customer base and attract new clients.

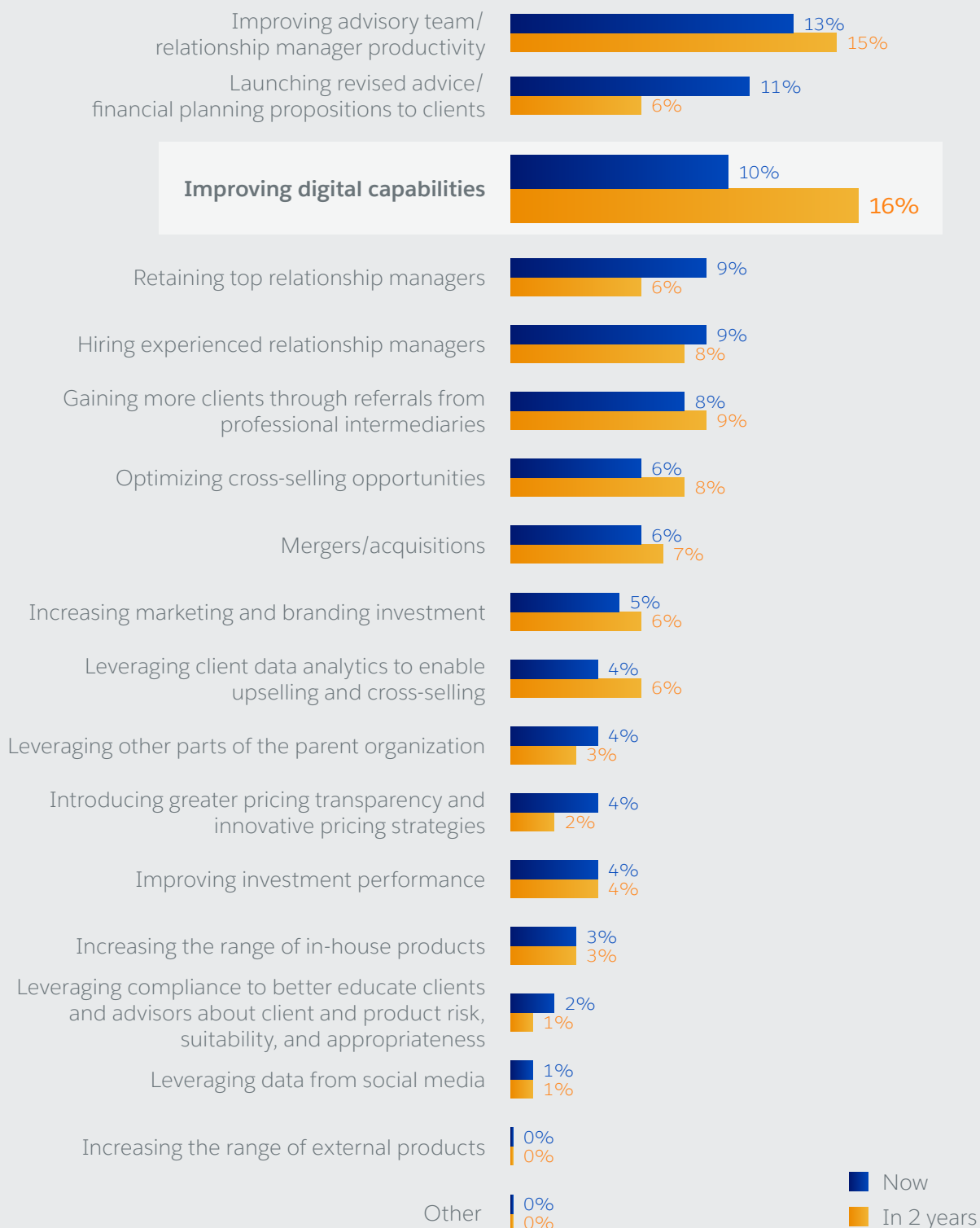
Furthermore, providing news, research, and account positions through apps allows clients to handle basic transactions at their convenience. This frees relationship managers to add real value through strategic planning and advice.

Finally, digitization can drive standardization, efficiency, and automation. Given the competitive pressure and reduced margins in wealth management, there is a need for more innovative approaches. Technology can be leveraged both internally and externally.

Over the next few years, the wealth management industry will go through nothing short of a transformation. Without doubt, the future is digital.

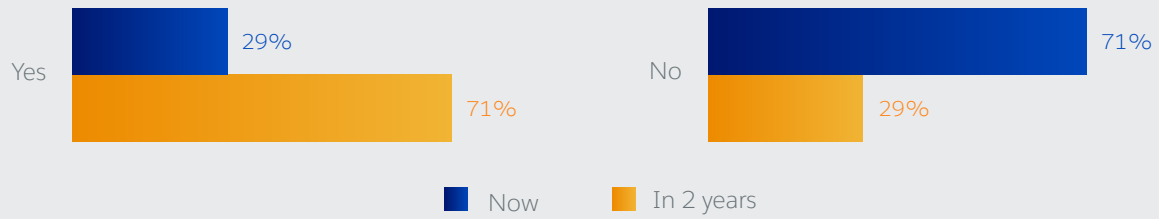
# Appendix

Please rank what you consider to be the top 5 most important strategies for your organization to implement in order to grow your business.



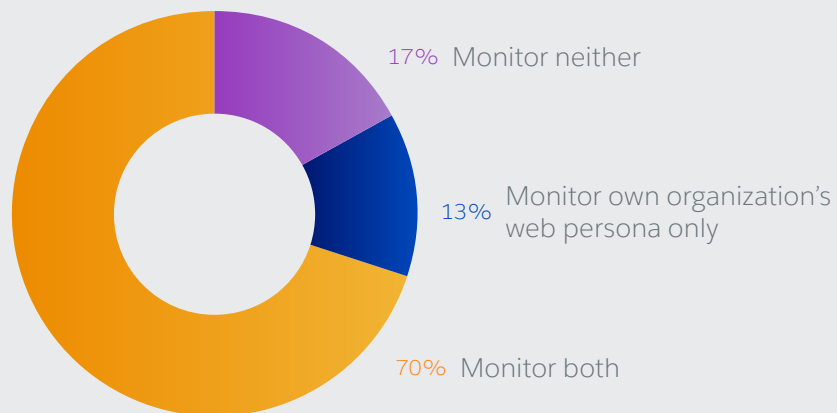
Note: Percentage points on the chart may not sum up to 100% due to rounding.

Does your organization currently collect data through social media and do you plan to in two years?



Note: Percentage points on the chart may not sum up to 100% due to rounding.

Do you monitor your organization's web persona and that of your competitors?



Please indicate which of the following services are currently provided online and/or by mobile service to your clients.

