

# 10 WAYS ADVISORS CAN PROSPER IN THE NEW WEALTH MANAGEMENT

By all measures, we are in the midst of a fundamental transformation in the wealth management industry, affecting both manufacturing and distribution. And that means big change for advisors, as well.

Part of my role at Xtiva involves being a student of the worlds of wealth management and digital wealth technology. We are constantly evaluating how trends are affecting the productivity and performance of firms and advisors. All with a simple singular objective – determining how we can help our customers and users achieve more in a rapidly changing business landscape.

Three major trends are driving much of the changes in the industry:

- Demographics are changing (both customers and advisors). (See Deloitte's [10 disruptive trends in wealth management](#).)
- Digital technology is reshaping the industry and challenging current business models. (See [Digitizing the Wealth Management Experience](#))
- Value propositions are being forced to shift rapidly. (McLagan has an interesting package of [insight on how advice is shifting](#).)

Here are some suggestions for how advisors need to respond to these shifts so that they can not only survive, but thrive, in the new wealth management industry.

## ADVISORS AND THEIR FIRMS NEED TO BECOME AGILE

Agile is everywhere. Agile development. Agile management. Agile customer service. It is fast becoming the standard operating mode for any business. Agile businesses produce faster and better decisions. They execute with more confidence and resilience. And offer advice that is timely, responsive and informed. An agile wealth management firm recognizes that its digital service offering is an increasingly important criteria for investors. And agile advisors recognize that investors ascribe great value to professional credentials and therefore seek to bring together well-qualified teams, both formal and informal, to broaden their offering. See PwC's [Enabling client centricity](#).

## ADVISORS MUST MORPH INTO COACHES

Yesterday, the advisor uncovered the customer needs, analyzed them and made an investment plan. Today, the advisor must guide the customer through all manner of life decisions and transitions – financial, family, tax, business, estate, health, care, and career – it's all intertwined. Advisors will either need to be hyper-specialized and deal with only a single aspect as a subject matter expert working alongside other professionals or they will need to build the skills and practice acumen to add real value on a broader range of issues. See: [A hierarchy of the value a financial advisor provides](#).

## ADVISORS SHOULD EMBRACE VALUE PROPOSITION COACHES TO SUPPORT THEIR PRACTICES

Many advisors have maintained a relationship with a coach or coaches. For the past two decades, this has typically meant practice management or business development coaches. While those folks will remain important, the advent of the 'Value Proposition Coach' will become critical to the success of advisor practices. Advisors will need

these coaches to help them as their roles transition from investment advisor to a financial life coach. And for those advisors who will focus on becoming and differentiating themselves as niche experts, the Value Proposition Coach will ensure the advisor can maximize their focus and time on their customers while staying on top of everything relevant to their practice expertise. No advisor can be on top of everything. The good ones are constantly curating. They work at make themselves better experts every day. They never stop improving for the benefit of their customers. The Value Proposition Coach will become a key tool in this mission.

## BE HIGHLY ADAPTABLE ON ADVISOR 'TECH'

Advisor tech and tools are 'Uberizing'. This means that barriers to access are dropping, existing processes and services within the practice are able to be converted into discrete tasks that can be implemented on-demand, less expensively. Existing jobs and services offered by advisors are able to be supported and fully or partially delivered by tech. This is underway and it will only accelerate. The [TD Veo Ecosystem](#) is a great example of the Uberization of advisor tech. Advisors must become more comfortable with tech and be willing to switch frequently and adapt. The good news is that as the old monolithic technology systems are replaced over the next decade with modular and resilient microservice-based applications hosted in the cloud, these tools will become more ubiquitous and reliable which will increase advisor confidence around using them.

## GET INTIMATE WITH INVESTOR TOOLS

Yes, there are some lousy tools available to investors, and yes, they can introduce conflict to the investor-advisor relationship. But ignoring and/or dissuading investors from embracing tech will no longer work. The barriers to entry are too low and the curiosity factor too high to possibly be overcome by the sheer will and persuasive power of the advisor. Clients are embracing these investor tech tools and so should their advisors. Experiment and learn how to use it. Bring knowledge and expertise about investor tools into your practice. Be willing to embrace tech that benefits both the advisor practice but also the customer as an end user. Show leadership and your customers will value and appreciate it.

## AUGMENT THE ADVISOR PRACTICE WITH DIGITAL ENHANCEMENT

Robo-Advisory 1.0 is only the beginning. Digital enhancement or augmentation (as some refer to it) is here to stay. Sales enablement tools, machine learning, and personal digital assistants (such as Alexa and Siri) are all part of the digital augmentation. The next wave, [Robo-Advisor 2.0](#), will move beyond portfolio management and extend real scale to advisors who embrace it. Advisors should not wait. Stop worrying about being too far out front. It's the risk of being left behind you need to be concerned with. Don't wait to get started. Find a first step, perhaps bringing robo-advisor tools into the practice. With that first step, the evolution to the next generation of digital wealth management tools will become an easier transition for both your practice and its customers.

## TAME THE TSUNAMI OF INFORMATION

Information overload is real. Advisors feel it in their practices, enterprises struggle with managing it and customers are inundated with unfiltered and out of context information at every turn. It's the tsunami that could swamp wealth management. The breadth of information sources and the associated volume will continue to multiply at a remarkable rate. Why? Because we produce gobs of information every second, we continuously expand our data points adding new types all the time - social networks, deep integration between applications, audio, video, drones, Internet of thing, augmentation, biometrics, chatbots, etc. Critical to your business is how to wade through the volume to get to what really matters and how you help the customer do the same. It is likely that the technologies that will change the game on this won't look like the tech most advisors are used to using. Sorting it all out and making productive technological decisions will continue to be a big challenge, but the value of the advisor is fueled but information, so, like it or not, advisors must learn to manage and leverage all this information.

That's the table stakes.

## THINK ABOUT PERFORMANCE MANAGEMENT REPORTING DIFFERENTLY

Historically, performance management reporting has meant (very simplistically) the measurement of a rate of return and comparing it relative to a benchmark – ideally, a benchmark that fairly represented the risk-return profile of the customer. While notionally valuable, this reporting has never offered much real value of comfort to customers, as on their own, they represent little helpful or actionable information. Increasingly, as customer lives become more complicated, and their expectations shift to their advisors guiding them in all aspects of their intertwined financial affairs, customer expectations for understanding progress is increasing. Moreover, they are adopting the perspective that their circumstances are unique and warrant progress reporting that is tailored for their specific circumstance. In fact, we believe, that an entirely new approach to progress performance is beginning to emerge. The digital wealth management tools are leading the way on this. Financial performance reporting is going to become holistic, with a full view of status and progress across a variety of dimensions beyond the investment portfolio. This new performance reporting will change everything about how advisors and investors conduct themselves.

## GET USED TO THE CUSTOMER DEFINING IF, WHEN AND HOW THEY WANT TO INTERACT

Access, to the advisor, the firm, the performance reporting, the broader service offering, will be determined by the customer. Not the advisor, not the firm, and not even the regulator. We need to stop defining access because it's the customer's choice. We need to focus on enabling and facilitating access when and where and how the customer wants it. The fear of chaos should subside as technology makes it increasingly easy to move data and communications seamlessly across media.

## FOCUS ON THE ULTIMATE USER INTERFACE: BEING HUMAN

Trust matters more than ever and human connection is still the great differentiator. Focus on developing and honing your human skills, such as:

- Be 'secret worthy' in everything you do;
- Communicate better, much better. Declare your practice a 'lingo free zone'. Be an island of clarity.
- Be proactive in looking out for the customer's interests. It's not risky, it's the right thing to do.
- Stop being afraid of falling and focus on recovering well. Both you and the customer will be better for it.
- Remember that the customer really just wants to be understood. Completely and authentically, understood.

## CONCLUSION

It's anything but business as usual in wealth management and financial services industry these days. As digital transformation increasingly takes hold, industry leaders and advisors are challenged to adapt their business models and their practices in order to survive and thrive.