WEALTHTECH TRENDS TO WATCH IN 2018

Much has changed in the wealth management industry since robo-advisors first made their appearance a decade ago. Talk of disrupting the advisor-client relationship has given way to a new generation of innovative technology solutions that enhance and augment the fundamental ways that investors invest and advisors advise.

Today, robo-advisors can be seen as part of a broader movement to digitize wealth management, embodied in the term: WealthTech. Technology derived from wealth management firms, research tools that generate investment solutions, and platforms to support financial advisors — all fall under WealthTech.

Finance is becoming a technology play. The successful wealth firms a decade from now will have made more right decisions than wrong – and learned from their mistakes.

We reached out to some online influencers and prominent commentators in the WealthTech and asked them:

“What is the most important wealthtech trend to pay attention to in 2018?”

These are their responses.

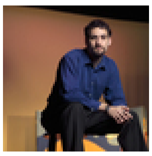
CRYPTOCURRENCIES WILL ENTER MAINSTREAM INVESTING

Initial Coin Offerings (ICOs) could completely change the way companies raise funding. IPO’s, private equity and venture capital might all be abandoned as ICOs provide ways for firms to self-fund by going direct to investors and cutting out traditional middlemen. Startups and existing companies raised $3.5 billion through ICOs in the past year alone, which was a 100x increase from the prior year. There is a growing ecosystem of ICO technology vendors offering turnkey platforms that enable anyone with a good idea to launch and run their own offering. It’s only a matter of time before clients will be asking their financial advisor about investing in an ICO.

Craig Iskowitz, Ezra Group
@CraigIskowitz

INCUMBENTS WILL FIND THEIR TECHNOLOGY LEGS

Independent technology providers have made tremendous progress in recent years in demonstrating (and then solving for) the gaps in advisor technology, but still struggle to scale and distribute their software. While incumbents have the advisor masses, they still struggle to innovate. In 2018, I think we’ll finally start to see the incumbents strike back – with a wave of both internally developed initiatives that launch, as well as some acquisitions, as large firms begin to really set their strategy technology roadmaps for the 2020s. Expect a lot of big announcements as major players stake their buy/build/partner decisions in 2018!



Michael Kitces, Kitces.com & Pinnacle Advisory Group @MichaelKitces

TECHNOLOGY WILL ENABLE HUMAN ADVISORS TO BE MORE HUMAN

For 2018, we will finally see the adoption of social selling by financial advisors. This will be accelerated by automation and artificial intelligence tools, like chatbots and smart CRM, that will allow wealth management professionals to have bigger reach and impact on a personal level. However, software creates winner take all outcomes, and while some advisors will benefit, others will be left behind.

Lex Sokolin, Autonomous Research
@lexsokolin

GAFA AND BIG TECH WILL DISRUPT WEALTH AND FINANCE

While most people will focus on AI and the initiatives within that framework (such as Machine Learning, Robotic Process Automation, etc.) as the most disruptive force to follow closely, I would also single out the disruptions that Big Tech (Apple, Amazon, Google, Alibaba, FaceBook,Tencent, etc.) will no doubt bring to the wealth and financial industry. With their bandwidth, agility, innovative capabilities and deep wallets, it is important for the wealth industry to come up with answers in areas like payments, foreign exchange, and robo-advisory in order to remain competitive as we enter the era of Industry 4.0.

Helene Li, BNP Paribas Wealth Management
@helene_wpli

AUGMENTED TECHNOLOGY WILL PERSONALIZE ADVICE

Pay attention to developments in the augmented financial advice marketplace, where algorithms are given permission to analyze a customer's aggregated financial data to produce an optimized hierarchy of personalized financial recommendations. Financial professionals empowered with augmented technology can then adjust recommendation priorities based on empirical factors formed during the relationship-building process with clients. This mixture of algorithmic and empirical methodologies should ideally lead to material actions that improve financial outcomes for all clients.

Bill Winterberg, FPPad.com
@BillWinterberg

USER EXPERIENCE WILL GO SOCIAL

The most important wealthtech trend to pay attention to in 2018 will be the reversal of the user experience (UX). Up until 2017 wealth management platforms have been a walled garden. You authenticate, enter, manage your portfolio, make some investments, then log off and leave. It's session based. In 2018 we'll start to see always-on wealth UX integrated outwards into the environment the customer feels most comfortable in, starting with social media integration. It'll be goodbye to the old HTML wealth dashboard and hello to Snapchat portfolio updates and messenger app chatbot advisors.

Chris Gledhill, Secco Aura
@cgledhill

ROBO-ADVISORS WILL CONSOLIDATE

I foresee that the most important wealthtech trend for 2018 to be the consolidation of the robo-advisor universe. The robo-advisor survivors will be the big ETF players like Vanguard, BlackRock and some established fintech startups like Betterment or Wealthfront.

Spiros Margaris, Margaris Advisory
@spirosmargaris

MACHINE LEARNING AI WILL BECOME MORE FEMALE-FOCUSED

As banks and wealth firms start using machine learning for better customer insights, they will need to "train" their models on historical data. That legacy data is likely to be dominated by male investors, and any biases in that data set will not only be reflected in the new AI models, but may even be exaggerated by the training process. This will lead to the wrong answers when women start representing 50% (or more!) of new business. Look for female-focused machine learning to be a key trend in 2018 and beyond.

Barbara Stewart, Rich Thinking
@RichThinkingB

SUCCESS WILL COME FROM FINTECH AND BIG TECH PARTNERSHIPS

HNWI clients are increasingly demanding digital capabilities from their wealth managers as a supplement, not replacement, to the personal relationship. Technology is becoming a differentiator, putting pressure on firms and wealth managers. Artificial Intelligence, Machine Learning, and Cognitive Analytics will each play a role in improving the client's digital experience, as well as enabling wealth managers to better serve clients in a more personalized approach. Successful firms will likely seek out partnerships with FinTechs (and possibly BigTechs) with the aim of building innovative, hybrid-advice models.

Bill Sullivan, Capgemini
@WFSULLIVAN3

2018 will be a year of partnerships. We've grown accustomed to seeing the wealthtech market comprised of startups and incumbents. This year we'll see the beginnings of deep partnerships between the institutions that own the client relationships and nimble upstarts that are developing new technologies.

Zack Miller, Tearsheet
@newrulesinvest

TIME WILL BE OF THE ESSENCE

The most important wealthtech trend to pay attention to in 2018 will be "action" not "observation" mode. With the $32 trillion dollar wealth transfer upon us, firms are actively changing their digital offerings and customizing client experience to take advantage of the assets that are in play. The biggest wealthtech trend for me is the opportunity to add AUM.

April Rudin, The Rudin Group
@TheRudinGroup

ALGORITHMS WILL DELIVER RESULTS WITH LOWER FEES

Dynamic, tax-efficient, AI-based asset allocation and rebalancing algorithms will start playing significant role to win the competition around investing fees. The companies who are able to implement these kinds of algorithms will win.

Vasyl Soloshchuk, INSART
@vsoloINSART

FINTECH EFFICIENCIES WILL MEAN MORE TIME FOR CLIENT ENGAGEMENT AND MARKETING

Fintech creates efficiencies for advisors. One of the impacts of greater efficiency is that it frees up more time for advisor teams to focus on engagement and growth. Going forward, the most progressive firms will look at how technology can extend their brand and reach among their ideal clients. This includes technologies that help advisors to communicate more efficiently and in a more targeted way, use social media to build engagement, and capture leads more effectively. In 2018, we'll see the best firms becoming more sophisticated in their use of digital engagement technology.

Julie Littlechild, AbsoluteEngagement.com
@JLittlechild

THE BIGGEST TREND IN WEALTHTECH ISN'T WEALTHTECH

It's the consumer. Wealth customers are changing in ways and at a pace well beyond that which many wealth management firms have ever contemplated. This is dramatically impacting how both manufacturers and distributors go to market. For well over a decade we have heard about the coming massive shift to be wrought by the generational wealth transfer from Baby Boomers to their heirs. It turns out that it isn't the most transformative force in wealth management. Not even close. Sure it's a factor, but consumers of all stripes and ages are evolving incredibly quickly. Consumers are increasingly expecting – among other things – transparency, multiple points access, digital experiences, foresight and prescription, facts over prediction, measurable results, value and confidence. Consumer technology has hastened some of this evolution to be sure. Every WealthTech trend ties back to bettering the consumer experience and value OR improving the performance of wealth management players in the context of the new consumer realities.

Jeff Marsden, Xtiva
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For additional insights on the wealth management industry, see:

- Merrill Lynch’s Big Shift in Incentive Compensation
- How Wealth Management Can Survive a 40 Basis Point Future
- Rebooting Sales Performance Management in Financial Services