Wealthtech Trends to Watch in 2019

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With the fintech revolution firmly underway in the wealth management and advisory space, we reached out to financial industry leaders and experts and asked the question:

"What is the most important wealthtech trend that the wealth management and advisory industry should pay attention to in 2019?"

The responses we received reflect a wide variety of experienced opinions and thoughtful insights, though some common trends are clearly emerging.

For one, robo advisors have changed the wealth advisory game, though it's unclear whether the robo startups or incumbent wealth brands will benefit most.

The customer experience, it is almost universally agreed, will be one of the chief benefits of increased digitalization of the wealth industry's product offerings. No matter how you slice it, more digital and mobile tools, more omnichannel access, more choices for underserved markets and even more client-facing time for advisors freed from repetitive management tasks means better client experiences.

Finally, it is clear that AI and data-driven insights are not a passing fad and will become even more integrated into wealth advisory products and offerings in the coming year.

We hope you find these observations useful as you navigate the year ahead.

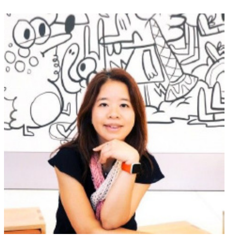
JAY PALTER

The most important tech trend that the wealth management industry should pay attention to is the ability to leverage AI and Big Data to develop new business models that deliver value to customers, instead of extracting value from them.

One such use case is auto pilot personal finance management, propelled by the availability of data and the power to process and glean insights from it. While the ability to “look back” and provide historical reference on prior transactions can be useful, we need to move beyond insights into forecasting and action.

With consumers becoming increasingly comfortable with robo-advisor and DIY models, financial institutions could position themselves to be the trusted guide for their customer’s financial well-being.

Imagine a machine that learns your spending habits and helps you set aside money for bills, in addition to “safe to spend”, “emergency savings”, and “long-term savings/investment” buckets. Such model would not only serve to improve the customer’s financial future; it would also help to earn trust in an era where relationships are becoming increasingly transactional and firms are looking for new points of differentiation.



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We've seen an explosion of new risk profiling applications the past few years. Firms like Riskalyze have combined smart U/X design with extensive integrations to turn assessing client risk into a more engaging experience.

In 2019, we will see these apps morphing more into "lite" financial planning tools as they add features like setting and monitoring goals, projecting investment growth and analyzing retirement expenses. This is the continuation of a broad trend of standalone apps expanding into adjacent spaces of the wealth market in order to stay relevant and increase their stickiness on advisors' already crowded desktops.

Up-and-coming risk vendor, Tolerisk, has incorporated annual mortality probabilities to better estimate life span to ensure clients won't run out of money. Meanwhile, market leader Riskalyze is enhancing their Retirement Maps module with Timeline Events that enable visualizing decisions including buying a house or taking social security early as well as offering full API access, so advisors can import these goals into financial plans they create with full-featured planning software.

Advisors will have more choices in 2019, but that comes with more decisions about how to integrate and deploy these more complex applications into their existing technology stack.

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The most important tech trend that the wealth management and advisory industry should pay attention to in 2019 is the rise of roboadvisors.

More specifically, it'll be both a technological and philosophical tussle as customers, regulators and wealth management and advisory firms try to reach answers to new questions posed by roboadvisor techno-logy. For example, who is to blame if AI gives wrong advice, should AI discriminate if its data says otherwise, should AI put a few customers at a disadvantage if it is for the greater good?

Agreeing on the answers is the easier part. Implementing a code of conduct, rule abiding, moral adherence and ethics into a neural net-work is going to be the hard part!

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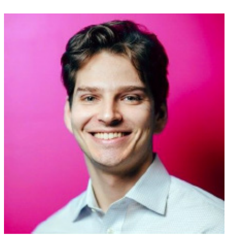
We are coming up on massive re-bundling across the Fintech industry. Already today, we see roboadvisors providing bank accounts, payments apps automating investing, and digital lenders selling insurance. This is in large part due to constrained product economics for any particular point solution.

In 2019, the integration between these different financial products and experiences will be much more smooth, paving the ground-work for automated financial virtual assistants. The end game – for Fintechs, banks and tech companies – will be to provide all these financial products as features within a mass-customized AI-enabled experience.



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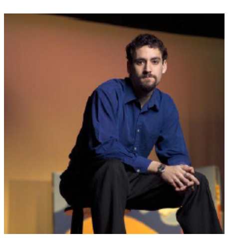
The most important tech trend in wealth management in 2019 will be the upgrades that industry custody/clearing firm incumbents are making to their systems, that will increasingly turn the 'robo' trend from a unique differentiator or add-on technology, into simply the native experience of the platforms themselves.

This will squeeze out many of today's robo-advisor-for-advisors players, whose technology is no longer relevant on top of a custodial platform that can (finally) do the same themselves, and with better straight-through processing capabilities.

In fact, it will ultimately transform 'robo' tools to simply become 'the technology we all use', in the same way that no one says they're an 'internet-enabled' advisor because their software lives in the cloud. Instead, the internet is simply part of the technology we all use in our native platforms. In 2019, the same will happen to most of the 'robo' movement for independent advisors.



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In the past, to invest, a person had to go to a destination: an advisor, a website, an automated phone tree. No longer – in 2019, we'll continue to see the embedding of investment and wealth management tools into the world at large.

So, whether a person spends his time working as a personal finance manager, reading investment news on the web, or chatting with a friend on a social messaging platform, wealth management tools will be just a touch away.

With a voice or chat command, an investor will be able to monitor his portfolio, make a trade, or rebalance his asset allocation. The walls around the advisory firm are being torn down.

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The biggest wealthtech trend for 2019 will be women and millennials who are "getting started" investing through non-traditional channels.

Instead of going to a standard broker or wealth manager, I think we will see 50% year-over-year growth in women and 18-35 year olds who will make their first ever investments in one of two new ways. The first is online AI powered websites like Canada's WealthSimple, and there are many other examples globally. The other is social trading platforms, like eToro, Shareville or Canada's Voleo.

Based on my global research, I would estimate that usage of these alternative, tech-driven investment platforms is highest in the Nordics and Southeast Asia, where up to 40% of women of all ages (and 40% of young men) are trying these solutions. I am not sure how much higher this is likely to go in these regions; instead I think that we will see most of the global growth occur as other regions catch up to these leaders.

It is critical to note that we don't (yet) know if people who start on the alternative investing platforms stay on them forever, or over time move back to more traditional ways of investing. As far as I can see, it almost doesn't matter: People who historically have been less likely to invest are now going to get started!

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I don't think that in 2019 the WealthTech environment will significantly differ from what we are observing in 2018. However, there definitely will be some changes. We'll see democratization of the industry; more retail investors will get access to investments.

Further automation of routine operations will enable advisors to attract more clients and reduce fees. Client experience will play more and more important role in choosing a financial platform; everything will matter from user interface to integrations to functionality.

Using artificial intelligence (AI) in wealth management will generally move in two directions: behavior predictions and market analysis. While most technology companies will focus on attempts to comprehend and predict investors' actions, only a few of them will try to consider where to invest based on market fluctuations.

AI will definitely enhance CRMs and allow advisors to deliver meaningful interaction with their clients including chat bots and natural language processing.

We'll see more financial platforms offer alternative investments, such as private equity, real estate, etc. This marketplace is underestimated, but has a great potential to be in demand.

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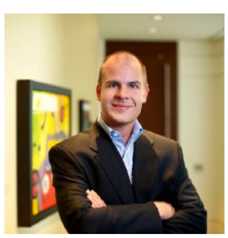
Tech enabled wealth management product and service convergence is the battleground we are most paying attention to.

The proliferation of digital capability across the wealth management category has begun in the ways typical for the financial service vertical – move product by using these new formats and "innovations" for distribution. However, there is an opportunity to use data, digital tools, and AI to help customers gain the most optimal wealth management service for their engagement needs – regardless of investable assets.

Category convergence is driven by a customer centric focus in which technology enables individuals to receive leading wealth management service how they want or need it in order to be engaged and that is also aligned with what is truly in their best interests. The traditional advisor is modernizing their business to service more individuals and whole families. Digitally led platforms are providing human access and increased services, ODB's are moving fees to zero and layering tech-driven support to DIY'ers.

Convergence of all these wealth management business levers should make for a much more accessible and democratized space in which to build customer relationships and wealth.



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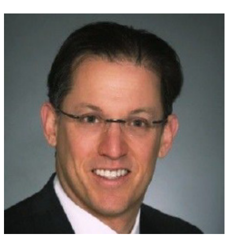
To me, the signal trend is the unbundling of systems architecture via the API.

I view the API as the next step in the evolution of infrastructure from a series of loosely connected point solutions to end-to-end enterprise systems geared towards straight through processing.

Let me be clear, the ascendance of the API does not spell the death of full stack or built for purpose tools, but rather opens the door to new types of collaboration and efficiency. The recent unveiling by industry bellwether Fidelity of its Integration Xchange app portal neatly underscores the reality that systems unity and architectural openness are no longer mutually exclusive.



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The most important tech trend of 2019 for wealth managers and advisers will be the rapid adoption of voice-first experiences.

Financial professionals need to seriously think about what their business sounds like in a voice-first environment. Who is the voice, or voices, of the company and the brand? What valuable information will the company provide to clients through voice? How will the company attract and convert prospects through a voice experience?

The biggest opportunity in 2019 lies in establishing a presence among the leading voice platforms to capture and retain customer attention, especially over the business's competitors.

Today, voice experience is a blue ocean; it's similar to the early days of app stores.

However, the lack of competition won't last. Users of voice-first experiences only have a finite amount of attention they're willing to devote to voice interactions. The question for 2019 is, does your brand have what it takes to capture a portion of that limited attention?

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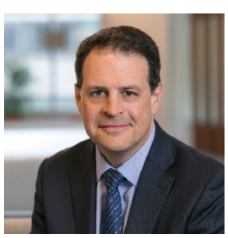
The groundwork for 2019 has been laid and the journey is underway. Where will the industry land in 2019? It depends. While there is no shortage of exciting and promising tech in the market, investments in wealthtech will be measured by their impact on customers, advisors and ultimately a firm's bottom line. And success will be tied to a focus on workflow.

Solutions and projects that contemplate the end-to-end, or at least a significant portion, of the wealth management value chain, will have a greater chance of success than point solutions. Think AI-driven, personalized insights that help advisors scale and investors feel the love. Think tax-optimization combined with financial planning to retain customers and capture held-away assets. Think client onboarding and lifecycle management tools that eliminate friction from all aspects of the customer journey.

We are entering 2019 under the cloud of a market correction. Will this continue into 2019? Swing a stick and you will find a gaggle of bulls and bears to take either side of the argument. Regardless of your position, spikes of volatility are a certainty. How will tools that look bright and shiny in the sunshine be perceived when a squall hits? The ability to accelerate advisor workflow and improve investor experience is the difference between weathering the storm and winding up in the drink!



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The finance industry as a whole find themselves somewhat in a dilemma in this age of tech disruptions.

While tech grows exponentially, organizations grow logarithmically. The gap could be wide and challenging to bridge. For true “digital transformation”, financial services need to have a mindset shift and culture overhaul, not just cosmetics and a new paint.

Of the various emerging technologies, blockchain and AI applications will have far reaching impact for this industry. As more digital natives are in the driving seats and they have greater demand for convenience, transparency and accessibility, it is clear that adoptions of these two technologies run throughout the client journey - from KYC onboarding, through to portfolio construction and advisory. It is not surprising to see how robo advisory platforms have taken off and continue to add specific mandates to their offering. In addition, Voice and digital assistants will take on greater dimensions of client interaction.

Another notable trend is the increasing client demand for sustainable investments, and having impact embedded in their portfolio. This “blended finance” movement is no longer just an alternative stream of SRI, not just having ESG (Environmental, Social, Governance) criteria layered over their investments. It is a deep seated drive to embed social purpose and return into the various capital market tools.

Technologies like blockchain and AI will again play a crucial role in accelerating this momentum. From transparency of impact measurement to more efficient platforms to deploy SRI, the next chapter that we will see is likely to be a tech-enabled, purpose-driven finance industry.

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The most important wealth management tech trend is actually "anti-tech" – meaning a trend toward recognizing and refining the client experience.

All of the wealthtech options have afforded advisory firms the opportunity to focus in on how they deliver financial planning through offline and online channels. Technology has freed advisors from much of the mundane tasks associated with their jobs, and allowed wealth management firms to think about how relationships are managed at the firm and advisor-level.

This trend will result in more satisfied clients who will have more face-to-face time, and advisors who can spend their time doing what they love best: holistic financial planning. 2019 will be a tipping point for increased satisfaction on the part of advisors and their clients.

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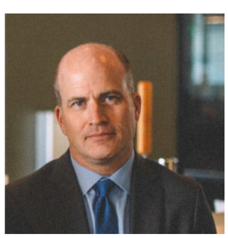
The wealth management industry is in the midst of three major technology trend cycles and a fourth emerging cycle looms, that has transformative potential.

The first, and longest-lived trend cycle, is addressing the abundance of technology debt that has built up across the stack at many wealth management firms. This effort has a lot of runway left, so this trend is staying with us for a while longer.

The second trend cycle is newer and building. It's focused around empowering better customer experiences (CX). Wealth industry CX leaders in 2019 will accelerate reimagining their customer experience models – informed by non-wealth leaders – and will take market share. Key elements are being data-driven (the domestication, enrichment and creative use of data), embracing a single CX across omni-channel delivery and moving value closer to the customer.

We are just entering the 'value cycle'. The challengers are wielding technology as a weapon, targeting rents and friction across wealth management. Robo-advisors are an example of this, as they have been successful in causing the wealth industry to address irrational rents in portfolio management through forcing transparency to that value. Wealth incumbents must accelerate value transparency, and relentlessly focus on enabling value to get to customers efficiently and effectively.

And the looming trend cycle? It's crypto. It may be a decade before it's transformative, but it is coming. Crypto – blockchains and digital currency – may eventually change almost everything: value, services, security models, data ownership, compliance, identity, business models, transparency, 'voting' power, centralization. Crypto is a gamechanger.



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