Welcome to the future

“The pace of change will never be this slow again.”

~ Jim Marous, Editor, FinancialBrand.com

As we enter the 2020s – the third decade of the 21st century and almost 70 years since the inception of the digital revolution in the 1950s – there is a distinct feeling that the future has arrived.

No matter how far back your experience goes, there’s no disputing the fact that the speed at which we are digitally transforming our society and economy is accelerating. This is evident in the massive changes taking place in the business of wealth and financial services.

Everything about wealth is in flux.

Wealth itself is being transformed. The money we spend and the financial assets we accumulate are becoming less tangible and more digital, more conceptual. Precious metals and fiat currencies are being forced to compete with cryptocurrencies and all manner of digitized and tokenized value stores.

The management of wealth is also changing dramatically. It’s being democratized and simplified through accessible, easy-to-use tools, mobile apps and automation. Advisors are increasingly performing uniquely human advisory roles, while machines and algorithms organized into intelligent systems perform the analytics required to manage the wealth.

Like many areas of financial services, the underlying business models of the wealth industry are experiencing upheaval and transformation as new players enter the market and create new business models, and incumbents re-tool to maintain competitiveness.
Many incumbent firms are evolving their digital toolset to enhance service of their existing clients and grow their businesses in the face of the new competitive landscape. The accelerated pace of technological change and the language of digital revolutions and transformations are accompanied by business risks that are best managed with considered forward thinking.

At Xtiva, we are grappling with many of these very same issues and challenges and recognize that part of our responsibility to our customers is to maintain a forward-leaning posture. We are grateful to the wide range of respected influencers and subject matter experts in the WealthTech space for contributing their thoughts and insights throughout the year – and especially to this compilation. We hope you find it of value as you navigate the year and the decade that lies ahead.

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CUSTOMERS & INVESTORS
Technology is forcing the rethinking of wealth industry business models

Bradley Leimer: Co-Founder, Unconventional Ventures

Some of the more significant changes to WealthTech and the wealth management industry have centered around access, competition, and expanded customer value proposition. While many dismiss the “disruption” caused by robo-advisors and algorithmic driven portfolios because they represent a small portion of overall AUM (robos in the U.S. now oversee $749B in assets across 8.2 million clients with an average portfolio of $90.5K), they have fundamentally changed the advisor business model.

There is an increased demand in robo-driven portfolios (from WealthFront and Betterment extending to those from traditional providers like Charles Schwab and Fidelity), lower to no cost trading models, expansion of fractional share ownership, impact and SDG driven portfolios, thematic trading, and an expanded base of investor clients that start savings, investing, and wealth creation at an earlier age through fintech enabled applications. As the number of younger investors and savers flock to applications like Robinhood, Chime, MoneyLion and others, the traditional advisor model risks losing these potential clients as they build wealth and trust applications over individuals, and expect minimal to zero costs for managing their finances.

The business of creating wealth truly starts in the day-to-day management of savings, spending, and credit – this is what traditional firms are missing, as an entire generation have shifted their loyalties and preferences. We’ve long given wealthy households and businesses access to private bankers and specialized wealth management services, but we are now in an era where technology levels the playing field. Everyone should be able to access personalized tools and advice that helps wealth creation. This is most effective when managing the spend side of a budget to maximize day-to-day savings toward investment opportunities.
(alongside the optimization of credit), as income levels have remained relatively flat. We need to look at the whole of the individual’s financial need, and technology is finally at a point where it can help solve this societal enigma – economic inequality through building wealth earlier and across generations – to start diminishing the impact of the long standing wealth gap in society.

The wealth management business model has changed and reflects a similar significant shift in traditional banking. The power will be in understanding that every client’s unique needs can now be served efficiently because technology has created a new reality. It’s an exciting time, unless you’re an incumbent not moving fast enough to keep up.

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Investor self-reliance

Barbara Stewart: Researcher and Author, Rich Thinking

Financial service industry customers are moving away from focusing on “the guy” (choosing which specific person to give your money to) to self-reliance. Women, Millennials and Gen Y are telling me “It’s my money! Why would I trust anyone else?”

Technology is democratizing both financial education and access. There is a global realignment towards a new model of investing. Women, Millennials and Gen Y are finding it easiest to adapt to change and technology is their best friend. They’ve lost trust in the old system and technology is the perfect antidote. Rising global awareness of the need for financial education and growth in social media usage mean these demographics will be the first to embrace the new model of managing money: one of self-reliance.

I interviewed 60 global CEOs as part of a substantial piece of thought leadership for a global bank. The majority of them saw a need for a greater focus on financial education and they were looking for innovative methods to crack the code and make learning effective. A CEO in Manila: “I don’t think anyone is getting financial education right on a global basis. We are still using old school methods. I am going to build an educational platform to scale for the investment industry. I have been watching my 14 year old daughter – someone who is not in the system – she taught me how to create a better system. She formed a school for coding (Sisters in STEM) and they have a non-traditional way of learning. They have 10 or 12 round tables and they focus on learning one topic at a time...then they teach each other what they learned.”

This financial salon approach to education aligns with my findings from a 2017 research project for a large Nordic bank. I interviewed 60 ultra high net worth female customers of all ages in Stockholm, Copenhagen, Oslo, and Helsinki. Almost all said they found large bank events to be ineffective in terms of educating the attendees about financial matters. Their strong preference was for smaller, highly focused discussion groups for like-minded and intellectually compatible women. Afterwards, conversations would continue via social platforms and online investment clubs.
Effective learning plus practical application (actually investing on your own) builds financial competence. According to one Danish executive: “My bank’s mobile offering brings investing down to the level of the individual versus leaning on intermediaries. It is kind of like ‘drive thru investing’ – you simply mark out the areas that you want to invest in and then click on ‘Go Do’ – this is AI. What a great way of onboarding to the investing process. I bought this for my daughter as her birthday gift...I gave her a small amount of money to invest to get her started.”

The findings of both studies suggest that the end goal is one of self-reliance when it comes to money management.

My top wealth tech prediction for 2020 is: we will see a sizeable upswing in the new model of money management – self-service instead of an intermediary.
Ditch feature-laden jargon to engage consumers

Josh Book: CEO, ParameterInsights

Firms are still missing the mark on how to best engage consumers to their digitally led wealth advice, savings, and investing offers. The idea that “if you build it, they will come” is not panning out for incumbent-led digital wealth advice platforms... at all. Traditional advisor businesses are, in turn, feeling emboldened but continue to struggle with scale – hence, the many acquisitions playing out in the market.

How can firms better engage people in wealth management? Significant opportunity remains for upstarts and incumbents alike to be more creative in how they engage consumers. Saving and investing is a complex area for most, meaning that feature-heavy content is not effective for breaking through in communications. We’re only now starting to see this be more acknowledged in the market.

**FIGURE 9. RELATIVE IMPORTANCE FOR TOP 10 CONSIDERATIONS FOR SAVINGS AND INVESTING IN CANADA**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Able to move money in/out of my accounts quickly and easily</td>
<td>57.4%</td>
</tr>
<tr>
<td>No annual investment management fee</td>
<td>55.6%</td>
</tr>
<tr>
<td>No fees to transfer existing investments into new accounts</td>
<td>48.4%</td>
</tr>
<tr>
<td>Able to view all of my savings and investment accounts online in one place</td>
<td>47.2%</td>
</tr>
<tr>
<td>No minimum investment required to open an account</td>
<td>46.9%</td>
</tr>
<tr>
<td>Able to get clear information about all savings and investment services offered</td>
<td>42.6%</td>
</tr>
<tr>
<td>Able to put my funds into savings accounts or investment accounts</td>
<td>40.5%</td>
</tr>
<tr>
<td>Able to access and manage my accounts 24/7 via website</td>
<td>39.4%</td>
</tr>
<tr>
<td>Able to choose the types of investments in my portfolio</td>
<td>38.0%</td>
</tr>
<tr>
<td>Dedicated advisor available to meet in person</td>
<td>35.9%</td>
</tr>
</tbody>
</table>

Source: Josh Book, ParameterInsights
The figures above provide a breakdown of the relative importance that consumers in Canada and the US ascribe to various saving and investing considerations. Clearly, variables relating to friction in the experience emerge as more important than many other factors. Can I move money easily? Am I forced to make a big “leap of faith” in terms of my initial investment? The underlying message is that firms able to eschew feature-laden jargon in their marketing stand a much better chance to engage consumers.

Improvements in the planning experience within the investment advice relationship is a key trend for 2020 – regardless of whether the services are being distributed by a traditional advisor, a digital advisor, or even via self-directed investing channels. The increased focus on financial planning of late seems buoyed by improvements in the underlying technology.
As financial planning becomes increasingly tech-enabled, it also becomes more readily deployable as part of a streamlined path to engagement. The net effect for firms is a reduced burden on certified financial planners and a concurrent opening of opportunities to deepen customer relationships beyond portfolio management.

Over time, the inclusion of rich planning capabilities not only strengthens customer relationships but also provides rich data that can be leveraged as part of the overall offer.

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Value will be co-created

Julie Littlechild: Founder and CEO, Absolute Engagement

In future, the client will have a different role in both defining and creating value. The concept of co-creation of value is rooted in research from C.K. Prahalad and Venkat Ramaswamy (see Co-Opting Customer Competence, for more detailed information), but the wealth industry needs to take notice. Instead of asking what we can offer to clients, in order to drive engagement, we need to change the question to ask what we can create with clients in order to drive engagement.

I believe that clients will play an increasingly active role in driving innovation and that true innovation will occur when advice is more completely integrated into the lives of clients when, where and how they need that advice. Co-creation of value isn’t just asking for feedback (although that’s part of it) and it isn’t just shifting some of the work to clients (which is also part of it). It’s about client involvement and the creation of a truly personalized experience.

What does this mean for our industry? I believe we need to:

→ Find ways to understand what clients need at a deeper level.
→ Find ways to allow clients to personalize how they interact with the company, whether that’s frequency of contact, form of contact or access to information.
→ Give clients more control over their financial lives through access to relevant tools.
→ Personalize the kinds of information that clients receive based on their real needs, goals and objectives, which may be only tangentially related to investments.
→ Put relevant information in the hands of clients, as and when they need it, to support them in making real decisions about their lives.
Helping clients make high-quality behavioral decisions

Aaron Klein: CEO at Riskalyze

I think 2020 is the year that fundamental building blocks in the advisor’s process get reinvented — particularly how most advisors trade. Three-quarters of advisors are determined to manage accounts themselves and 70 percent of those manually punch trade tickets into their custodial platform.

The next-generation approach hides all of that complexity and provides a bridge for advisors to shift from caring about individual trades to focusing on decisions for clients.

It’s similar to driving in a newer car. Automatic transmissions and autonomous cruise control allow you to spend less of your time focused on the mechanics of shifting gears and controlling speed, and more time thinking about getting to your destination and preventing accidents.

Trading automation is going to allow advisors to think less about the mechanics of individual trades and more about helping clients make high-quality behavioral decisions, and let the technology handle the details.

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Digital opportunities for high net worth individuals

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While the financial industry has embraced technology in many new ways, it’s still ages behind where it could be. Understandably, many wealth veterans have been reluctant to adopt new tech, instead relying on their personal, human touch to help high net worth individuals (HNWIs) with their complicated portfolios and specialized needs. But HNWIs are ready for a more digital experience, and now is the time for wealth managers to provide that for them.

Just look at the numbers. Capgemini found in its World Wealth Report last year that more than half of HNWIs around the world see hybrid advice, incorporating a human touch and technology, as highly important. It doesn’t matter if these clients are millennials or baby boomers. They all want to be able to access information at their fingertips. There is clearly still room for wealth managers to meet these growing demands by moving more technology from the back office to the front office, and by adopting automation and artificial intelligence.

A number of HNWIs also expressed to Capgemini their comfort with big tech companies, such as Google or Apple. Some 37.5% said that they would consider allocating 11% to 50% of their wealth to such companies. Investors are comfortable with all of the technology brands that they’re using on a daily basis, be it Facebook or Amazon or anything in between. These tech companies know how to offer clients an ease of access and fluidity to their services that many traditional wealth managers still struggle with. It shouldn’t come as a surprise that some big tech companies are already courting HNWIs. China’s Alibaba, for instance, has been in wealth management for a few years now.

Technology is definitely not going anywhere, and wealth managers are starting to wake up to the reality that they need digital offerings for their HNWI clients – if they want to keep them. Keep an eye on this space in 2020, as more partnerships between traditional technology
companies and wealth management firms will pop up to quickly fill the tech gaps for establishment players. Those who don’t adapt quickly are going to fall behind.

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Consolidated advisor dashboards become a differentiator

Craig Iskowitz: Found and CEO, Ezra Group, LLC

The WealthTech trend that will have the greatest impact in 2020 will be the deployment of consolidated advisor dashboards. Over the past few years, an explosion of niche applications have overwhelmed advisors and turned their workflows into a nightmare of screen switching and duplicate data entry.

Many broker-dealer and RIA aggregators are performing full technology refreshes of their advisor portals. These updated ecosystems will have deeper integrations with key third-party systems, as well as enhanced onboarding. Wealth management firms have realized that while payouts and investment products have equalized, technology has become a differentiator for both advisors and clients.

WealthTech vendors are looking to recreate the “Amazon network effect” that combines favored functionality and systems and aligns them together to holistically address their pain points. This is in contrast to the “smartphone screen effect” with dozens of apps vying for advisors’ attention and isolating client data in individual silos. It is becoming increasingly frustrating for advisors forced to switch between different software packages to manage their business and access their clients’ document vault, financial plans, investment accounts, etc.

Improved connectivity has enabled data to flow more freely across the advisor technology stack and open source U/X software frameworks have allowed firms of almost any size to design and deploy their own centralized dashboard for advisors to manage their practices and monitor key performance indicators.

Advisory firms are taking control of their advisor experience rather than dividing it amongst the three primary advisor tools: CRM, financial planning and portfolio accounting. Centralized dashboards can provide a unified experience and allows firms to design differentiated features and deliver more end-user flexibility.
Broker-dealers, large RIAs and RIA aggregators who build out their own advisor desktop software are disintermediating their external application vendors. They are increasing their operational risk but greatly reducing the inertia that has kept legacy systems from being replaced even when they are no longer delivering value.

It remains to be seen how much impact this trend will have on the incumbent category software providers. If enough firms stand up their own user interfaces and build out the underlying data infrastructure, we will see vendors less reliant on flashy UI features and shift their roadmaps to expanding their application programming interfaces (APIs), protocol support and integrations with other vendor products. This will also make their applications less sticky and return control of the advisor desktop to the people it should belong to... advisors.

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This is what’s really going to make the Roaring 2020s profitable for the wealth management industry

**Seb Dovey**: Nomad, Businessman, Strategist

Thinking about the future, it is worth reflecting on the now. There is always revolution going on somewhere in the wealth management industry.

Usually, the ingredients involve regulations, disruption, and economics, seasoned with a generous level of confusion about the needs of different client segments.

Mostly these mini-revolutions focus on immediate localised issues, such as preserving market share or margins or both. There is a lot of strategic bluster, but in reality, the decision-making is largely short-termist.

There is little in the way of exquisite Imagineering among the C-suite. Perhaps the defence is there is not enough time. Sound familiar?

The reality is there is a much more fundamental and enduring process of evolution underway in the industry. This evolutionary shift is around the core components of what clients will value from wealth management. The shift will forever transform how operators think, engage and earn.

Interested? Here is what is going to happen...

The Roaring 2020s will see wealth consumers recognise that the essence of value in their engagement with financial services is around how their personal information is collected, stored and curated. Yield and risk management will, of course, continue to be important too, but they will form part of a much bigger commercial engagement. Core revenue will come from information management, rather than purely from money management and those that get on this evolutionary train will see profits grow rather than diminish.
Consumer behaviours and experience has been changing over the past 20 years. Data, digital, and democratisation are among the major forces driving this change, and ultimately, the ubiquity of information that we generate is at the heart of it. We all need to find a way of being better at managing this data.

The 2020s will be the decade of organising data better at an individual level.

Wealth management is in a unique position with its clients. Arguably, only the healthcare industry faces similar conditions. That is, clients that have good information management will get better outcomes.

Furthermore, financial information will stretch far beyond the narrow scope of managing lines of stocks and bonds. It will include plans, projections, liabilities, expenditures, future obligations, ambitions, legal documents and even passwords. And much more.

Amid all this, the interconnection of information, technology, analytics, and cross-industry collaboration are shifts that will also take place in the 2020s. Financial services will not be isolated.

Think about it this way, if a doctor knows enough about you, the diagnostic outcome is improved. The same can be said for the relationship to the financial advisor. Indeed, this will likely be the main battlefield in the coming decade and wealth management will be on the front line of this evolutionary shift.

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It’s going to be about the how

Kendra Thompson: Partner & Wealth Management Leader, Deloitte

As we look at the change we are seeing across the advice ecosystem, the debate about what we are moving toward is over. Advice is changing. It’s broadening to meet families where they are, on their terms, in richer, more personalized, more flexible ways. It’s digitizing. It’s democratizing. It’s decoupling from traditional in-person channels and moving away from checklists.

There is no doubt that advice is the future of financial services. Every brand that has traditionally delivered advice is aware it must scale it, and every brand that doesn’t have an advice channel is looking to add it quickly or risk being disintermediated.

The open questions now are about the how. How will regulators move faster and simplify while still protecting investors? How will incumbents move away from channel constructs to platform strategies that support the full-service continuum? How will vendor capabilities mature? How will advisors adapt? How will economics work? How will we move faster and actually be agile? How can we take the capital and capability incumbents have accumulated and drastically transform the way they deliver advice?

Furthermore, how can we fundamentally lower the cost to serve? How can we stop the behaviours around product push, channel protection, and legacy technology that are impeding progress? How can we work together as an industry to build for tomorrow’s revenue while dealing with the realities of today’s operations?

The brands with the most focus and clarity on the how will be the ones that lead the next chapter of change in the financial services industry. They will be the ones that dictate the economics and set the pace that will affect the rest of the industry, and separate themselves from the pack.
This is no longer about slapping a robo-capability on the side of a stoic full service channel. It’s no longer about digitizing what we have always done. The next two to five years will be about those brands that chose to truly shift the paradigm, separating from those who are still flying to San Francisco for fintech tours and hoping a splashy digital channel will distract analysts from a core that is fundamentally not transforming with the times.

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The Robinhood Effect, AI & distributed ledgers

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Existing wealth management firms will continue to upgrade their technology stacks, as the sector has lagged. This will fuel the battle of Fintech software-as-a-service (SaaS) providers selling to asset managers and their software providers.

Re-bundling will accelerate as Fintech startups have managed to push incumbents to offer freemium wealth management services. The Robinhood Effect will expand in 2020 (following the examples set by Schwab and TD Ameritrade in October 2019). This convergence will be facilitated by the increasing number of Fintech SaaS and backend-as-a-service (BaaS) offerings and APIs. It will take, however, more time to get to the point of a ubiquitous digital financial dashboard.

Customer experience (CX) is currently at a decent and improving level in several financial apps (though we are approaching the point where CX will not be a differentiating factor). But the lack of interoperability between apps serving our financial life makes for an overall lousy user experience for which we have no one entity to blame.

In 2020, we will see more investments from wealth management providers into technology companies that are focused on streaming processing and artificial intelligence. The process of cleaning up the huge amount of underutilized data will start, so that it can be used productively.

When I look at the wealth management barbell, with conventional finance on one end and Decentralized Finance (DeFi) at the other, 2020 will be a year to closely watch distributed ledger technology (DLT). I see 2020 as a year that several permissioned DLT architectures will go live and at scale in specific domains, following on the launch of the world’s first mutual funds transactions network powered by DLT in late 2019. This is a DLT-powered upgrade of middle and back stacks in wealth management. Fintech SaaS and DLT upgrades will also accelerate.

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The Great Disruption from unbundling continues

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In the current world of wealth management, revenue opportunities derive from typical activities such as advisory fees, mutual fund investments, managed account enrollments, security transactions, platform fees, and other products and services, all neatly bundled up in the delivery of financial advice via a human advisor in some form of the financial planning process.

These traditional activities and revenue sources, however, are being disaggregated into their component parts, now more than ever, based on new technologies and emerging regulatory requirements creating disruption across wealth management. So much so, that a “Great Unbundling” is now changing the economics of manufacturing, packaging and distribution across the industry forever.

However, with technology comes opportunity. “Bundles emerge as a consequence of current technology,” Marc Andreessen, founder of the first web browser and now venture capitalist, famously once said. When new technology, methods, or processes reduce manufacturing, distribution, or other infrastructure costs, the original reason for bundling is eliminated and the doors to disruption are opened.

As investors experience more choice and slimmed-down products that better meet their specific needs, investor mind-set shifts from “accepting too much” to “expecting just what I want.” They become less willing to pay for a bundle in which they use components unevenly (or not at all) and willingly transition to new products and distribution models.

While the great robo experiment did not work according to the annoying VC-backed technology startup expectations, the concept for using low-cost security selection (ETFs), combined with automated asset allocation / rebalancing and unbundling it from a traditional fee-based, wrap account, did work.
Now, the robo-advisors run by Fidelity, Schwab, Vanguard and Blackrock are in the less than a few basis points range, or even “free,” versus what currently is upwards of 200-300 basis points in a separately managed account at a wirehouse or independent broker-dealer. Those all-in, “fee based” accounts bundle expensive money managers, platform fees, underlying product fees and trading costs into one unified, yet expensive fee bundle. How long can this last for these bundling-brokers, particularly as the technology-unbundlers invest hundreds of millions of dollars in advertising to convince investors that they are paying too much?

What does the future portend? Looking forward into the 2020s, we also see yet another unbundling of advice in the form of offering financial planning services outside of an AUM fee through a Netflix-like subscription model, most notably the mind-numbing concept of advice from a CFP professional on the phone for $30 a month from Schwab.

Ultimately, what all of this unbundling from technology innovation has caused is the final commoditization of investment management.

If I were an asset manager not named Vanguard or Blackrock, or the managed account product manager at a wirehouse / broker dealer, or the exec running a TAMP, or even a large RIA bundling planning via an AUM fee, I would immediately start to find ways to unbundle myself before the next wave of unbundling does me in.

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Bridge the gap to digital assets

Lex Sokolin: Global Fintech Co-Head, ConsenSys

The most meaningful opportunity for 2020 is the digitization of the investment instruments themselves. So far, most of wealth management has been transformed along the customer interaction and advisor software vectors. This means that consumers are now used to having digital and mobile interfaces display, track, and allocate their investments. It also means that hybrid models with highly automated and AI-powered advisor dashboards have been deployed across the industry. Whether you are a robo-advisor, an independent RIA using digital wealth software, or work in a wirehouse, it is very likely you are serving clients with technology efficiently. The corollary of this is, of course, pretty meaningful price compression and commoditization.

In order to differentiate, advisors and wealth managers will need to think seriously about blockchain-based investment assets. Those may be simple digital securities like equities, real estate, or municipal bonds. Or, they may be early stage private equity in technology companies. Or, they may be digital currencies or other rendered valuable collectibles. As investment managers fail to generate alpha and compete against monolithic index providers, spending time to understand the frontier becomes increasingly important. For example, decentralized lending vehicles and exchanges are able to generate idiosyncratic alpha in a way inaccessible on traditional infrastructure.

Custodians, brokers, and the rest of the value chain continue to be challenged in order to keep up. Wealthtech needs to bridge the gap to digital assets, or be disintermediated by emerging players.

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The rising importance of alternative investments

Urs Bolt: Expert Advisor, Bolt.now

Wealth aggregation for traditional and alternative assets will become critical for wealthy individuals and family offices.

As low or even negative interest rates become widespread in many countries with a large population of high net worth (HNW) individuals, investments into alternatives, including non-bankable assets, will become more common. These assets are usually not serviced by traditional wealth managers and private banks and require new ways of aggregating the asset data, including pricing and other information to create the total wealth and its value.

New WealthTech startups will enter this market and offer digital solutions which match user expectations in terms of usability and communication channels, as well as costs. Wealth managers will increasingly integrate such solutions into their service offering. These new offerings will increase the choice of services for investors and wealthy people. In addition it should lead to higher transparency in terms of investment performance, costs and other decision criteria.

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SYSTEMS OF INTELLIGENCE
AI will improve client experience and lower costs to serve

Gavin Spitzner: President, Wealth Consulting Partners, LLC

With asset management effectively commoditized, the most important trend wealth managers should pay attention to and be on the leading edge of is deploying AI to improve the client experience while simultaneously lowering cost to serve.

This requires using client data effectively and responsibly, combined with human insight to guide clients towards their own personal “next best actions” that result in better outcomes. While AI is impacting everything from top of the funnel activities to process automation and portfolio management, the most important use cases revolve around augmenting both advisor and client intelligence related to behavior and, increasingly, to prescriptive, anticipatory actions that keep clients engaged in ongoing planning and beneficial actions that advisors can coach towards. We’re heading towards a world where our financial plan is a dynamic, living, breathing guide that, informed by hyper-personalized data and insights, impacts investor behavior, addresses the issues that are most important to them, and frees up advisor time to focus on higher value activities that clients actually care about and will pay for. Technology won’t replace advisors but will instead augment their ability to serve. However, it will replace advisors who don’t leverage technology effectively.

Thus, AI becomes both a catalyst and engine for a flywheel effect that when combined with other best practices involving outsourcing and marketing leads to more profitable growth and improved client outcomes.
THE FLYWHEEL EFFECT IN WEALTH MANAGEMENT

Source: Gavin Spitzner, Wealth Consulting Partners

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Voice as the ultimate intelligent interface

Jeff Marsden: Chief Product & Strategy Office, Xtiva

In the year 2020 we will begin to see material and impactful proof cases that highlight the potential of voice technology to become a mainstream WealthTech interface, both for customers and advisors.

Many of you have a Siri, Alexa or Google Assistant in your life. They might help you play music, adjust your household lighting, send simple communications or even resolve dinner table debates. And perhaps you have experienced the wonder of the almost real-time translation capabilities offered by the powerful (and free) translation apps. Quietly, mainstream office technology tools are investing in accessibility features like voice to help all members of a workforce fully leverage their capabilities.

Voice is our most natural interface mechanism as humans. It’s how we’re built. Unlike typing or clicking, voice is our default carrier signal.

Voice is powerful because it combines both the message content and the distribution. Your voice can transmit more instruction than typing the same words. Instruction input is a material impediment to system performance utility, so reducing input friction has the promise to extend system value.

Your voice also has a unique signature that can add a frictionless layer of security to any system.

And your voice can reflect action and momentum by incorporating emotion and sentiment in a way that typing and clicking cannot. Despite great advances in sentiment analysis and profiling of text communication, the motherlode of sentiment and emotion data is carried in the human voice.

Voice can also be less bound by the constraints of the physical environment enabling human dexterity to be extended. Artificial
intelligence (AI) is barely more than a promise until it can consume and contextualize sentiment and emotion. Voice is fuel for the systems of intelligence that will inevitably drive business success.

How does all of this relate to wealth management? Voice technology offers two things – new types and volumes of data and new means of interface – which together become the foundation of a wave of powerful innovations.

Imagine:

→ Augmenting risk analysis with emotion and sentiment data.
→ Expanding the universe of wealth and financial experts available to a customer through real-time translation.
→ Augmenting our WealthTech systems of intelligence with massive volumes of new data depicting emotion, sentiment and directional data.
→ The productivity gains for our teams that would come from voice-augmented interfaces.
→ A worry-free security process that is completely frictionless.

Yet, embedded in all of this promise is a threat for incumbents. To date, we have viewed tools like Siri and Alexa as just that – merely tools. They are much more. They are a completely new channel of delivery – one that is embedded with boundless data that can fuel the march to intelligent systems and technology.

2020 will be the year that we will really begin to separate the signal from the noise in WealthTech.

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Why 2020 is the year AI gets real

**William Trout**: Head of Wealth Management, Celent

In an increasingly competitive environment, client experience represents the only real differentiator for wealth managers. To digitize processes and reduce service friction, wealth managers are cleaning up their data houses, consolidating architecture and embracing third-party tools to capture, transform and visualize their data.

In the year ahead, the interplay of tools, architecture, and processes will be increasingly visible downstream, at the level of the business user, where so-called data wrangling tools will enable the deployment of robust, actionable analytics. Delivered via a dashboard, these analytics will power the conversion of sales leads and decision-making across the front and back office. Increasingly, they will be able to support improved service delivery via Next Best Action recommendations and other prediction-based models.

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**Data Wrangling**
Working with massive, messy datasets across disparate systems

**Analytics & Insights**
Adding value to data, helping people make better decisions

**Apps & Dashboards**
Put insights in the hands of business users or customers

*Source: William Trout, Celent*
AI is the secret sauce of these tools, which harness machine learning algorithms to interpret structured and unstructured data, e.g. text, news, chat, voice, for the business user. Vendors will help make real the concept of the citizen data scientist, in which the analyst or business user can massage data and act upon it in real time. Business user engagement, alongside the embrace of DevOps and the reform of data architecture, will make 2020 the year when AI finally reaches the desktop.

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AI-driven efficiencies will free up advisors to serve more clients more effectively

Ramya Joseph: CEO & Founder, Pefin Inc.

In an industry that is facing headwinds of zero commissions and fee compression, financial institutions will look to diversify revenue streams and broaden their client base. AI will be a driving force behind the ability to open up high-value services like holistic planning and advice, at scale, to more consumers at more affordable price-points.

Today, the cost of a one-time financial plan is $3,000-$5,000 and it can take an advisor 20+ hours to prepare the plan. As a result, access to financial planning and advice is typically limited to the top 1% of clients. However, new technology leveraging AI has the potential to not only reduce the time and effort to create a financial plan but also provides the opportunity to open digital-only and digital-hybrid service tiers that will allow financial institutions and advisors to take on clients once thought too unprofitable to serve.

AI can form highly personalized digital experiences for clients, while also providing real-time data and insights to advisors, creating new opportunities for engagement and the deepening of client relationships beyond quarterly and annual check-ins. The link between financial product distribution and a client’s life plans will be ongoing and real-time, with clarity on how a product can help achieve a successful financial outcome. The advisor-client relationship becomes one that is truly advice-led not just product-led.

Although the presence of AI in WealthTech may feel like a challenge to advisors, it’s important to note that AI will not replace the human touch that comes with an advisor. As in applications of AI in other industries like medicine and education, AI will be there alongside an advisor to provide deeper insights, improve financial outcomes, and strengthen client relationships.
Can AI reduce anxiety for advisors?

Nathan Stevenson: CEO & Founder, ForwardLane

How do advisors deal with the massive onslaught of data in markets that shift from tweet-to-tweet along with clients’ fears and anxieties?

While applications of AI in wealth management are becoming more prevalent in the retail and banking markets, many financial advisors are left wondering if they have missed the AI wave. As incumbents with low cost offerings continue to balloon in size, further driving down fees – how can human advisors compete?

The biggest emerging trends for 2020 focus on these key problems:

→ How do I stay relevant and show my client I understand them personally?
→ How do I grow my book of business when I have scarce information about prospects?
→ Which clients should I reach out to today, and why?

Personalization is a major secular trend as wealth management becomes digital – powered by the rise of the millennial class and the increased demand for visualization of insights and a modern client experience. In a study by SEI, 63 percent of HNW investor respondents find high value or very high value in an advisor who personalizes advice.

Large wealth management firms such as Morgan Stanley, UBS and others are providing AI-powered solutions to empower their advisors with next best actions and rich client insights surfaced from news, research and diverse content sources. The “insight-powered engagement” makes for a richer client experience.

According to Factset, across the wealth spectrum, access to relevant and unique insights that support wealth goals is a top differentiator. The technology powering the “Insights First” trend used to be confined to an elite few in the bulge bracket banks – fortunately that is changing fast.
AI-first Fintech companies have grown up over the last 4 years – with skyrocketing computing power, and advances in AI making it possible to aggregate data at scale and derive insights with insights engines. These new AI platforms are set to empower advisors in 2020 with exciting new solutions to solve the most pressing challenges:

→ Finding insightful stories to personalize the client experience – use AI to read underlying data, sift through all of the market-moving research, news and content and automatically find the most relevant stories to share with clients;

→ Never miss an opportunity with client signals – apply signal collections that scan through CRM, portfolios and holdings to flag items to discuss with clients, and determine the best timing for outreach;

→ Be ready, relevant and topical with prospect intelligence – gain intelligence and recommendation into client cohorts based on personas, what other investors with similar preferences like, and how you should engage with them.

The benefits to advisors are game-changing – saving 4-8 hours of time spent per week, with 70% of users reporting increased confidence, consistency and relevancy in client engagement. Use cases for this new technology focus on preparing for meetings more effectively, improving digital communication with clients, and surfacing this through dashboards and client portals. Picture being instantly ready and relevant - with key talking points and content – all digitally personalized for the client.

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The coming year will be dominated by the digitized ecosystem. What makes my prediction even more notable is that I’m a three-decade veteran of BNY Mellon’s Pershing LLC, which has for 85 years ranked among the most respected and venerable companies on Wall Street.

The digitized ecosystem will be 2020’s most significant disruptor. And if I were to place one technology at the center of this thoroughly potent (and disruptive) ecosystem, it would be Artificial Intelligence. Is it any wonder that more than half of all wealth managers now say AI is essential to their businesses? For years we’ve heard about how technology has helped investors unlock hidden value in the capital markets. The digitized ecosystem will do the same for a new generation of wealth managers and their clients.

Generation X and Millennials (the oldest of which are turning 40) have inherited vast amounts of Baby Boomer wealth and are already transferring it to their children. That’s why, as a B2B provider, we’ve focused on creating the most efficient ecosystem that will allow wealth managers to strengthen their brands and attract those younger clients. As the digitized ecosystem comes to dominate the industry in 2020, fewer companies will be providing their own proprietary systems. We’re encouraging clients to pick and choose among open and flexible technology platforms that will help them best target new generations of affluent clients – clients who have much different needs and concerns than their Boomer parents.

Leaders in the WealthTech space would do well not to tout themselves as “purely digital” or the first “all-digital” firm in a particular sector. As a colleague of mine likes to point out, anything that’s all-digital is devoid of any human beings. That’s why I prefer using the term digitized when describing the ecosystems that will dominate the coming year. The very best ecosystems will leverage an array of technology working in tandem – including predictive analytics, automation, and, at their centers, Artificial Intelligence – while retaining a human touch.
Those affluent families served by our clients are less impressed by dazzling displays of technology than they are by the ability of a firm to create a digitized ecosystem that addresses their emotions involved with the accumulation and retention of wealth. Younger individuals, by virtue of the world in which they’ve grown up, expect their wealth managers to offer the very best WealthTech before they even walk through the door. That’s why it’s so important for wealth managers to customize the tools they have at their disposal – utilizing digitized ecosystems like ours – to develop relationships that will endure a lifetime.

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Relentless disruption will humble us all in 2020

Davyde Wachell: Founder and CEO, Responsive AI

7:00 AM Pacific Standard Time, September 11th 2001

I remember phones ringing in my father’s office.

Margaret - the early bird - was the only wealth advisor on site to answer the questions of clients wanting to understand what the future held for their wealth, their families and even the world itself.

That chorus of ringing confusion marked the beginning of my adult millennial life. The euphoric nineties were over.

Globalization no longer wanted to “buy the world a coke and live in perfect harmony”.

The Internet, once a catch-all for hope and liberation, transformed into network of anxiety and a multiplier of confusing complexity.

After being jubilantly promised disruption on a global scale by ecstatic wunderkinds, we finally got some, good and hard, but not on the wings of Apollo as had been so triumphantly augured.

11:00 AM Pacific Standard Time, November 11th 2020

Today, it’s the same.

Radical disruption from the share economy, blockchain, AI, demographics and geopolitics are upon us, and once again it will not go down as the forecasters have predicted.

We’d do well to remember that disruption issues forth from the scythe of Saturn during the depths of crisis, in shadowy ways that are only truly understood in hindsight.
Since there is no technology trend that can save you from this kind of disruption, and since I’m not smart enough to tell you what’s actually going to happen over the next decade, it is my conviction that you earnestly innovate your values and priorities before venturing to any hashtags du jour with unwarranted confidence.

And so, I present to you, the Operatic Rules of Authentic Innovation*:

→ 1. Know yourself. Know your limitations.
→ 2. Know your customers. Provide honest value.
→ 3. Defend and grow what makes you unique.
→ 4. Work with partners you trust.
→ 5. Think clearly. Solve the right problems.

Deceptively simple, but embodied practice is the province of true mastery.

May your 2020 bring mastery in the arts of clarity, authenticity and trust.

* The Operatic Rules of Innovation were taken from a keynote delivered by Holly Peck and Davyde Wachell at the launch of the Versace Innovation Program in Milan, Italy on October 16th 2019.

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Our business tools are used by nearly 100 North American financial service organizations who trust our leading domain expertise, product performance and steadfast commitment to customer success and results.