

The Changing Face of Financial Advice

A synopsis of the research by Glenis Phillips, SF Fin



Every adviser knows that their practice business models have to change to fit with changing social attitudes, demographics, technology, cost structures and regulation. The old pattern of helping clients to achieve and maximize a financial goal by particular product placement is outdated.

Financial Advisers will need to become “*holistic financial lifestyle coaches*” who understand individual client’s and assist them to achieve their individual goals. Advice based on lifestyle events or reassurance that clients are on track to achieve milestones is the main focus of younger age groups. Advisers will need to cater for a new generation of remotely based, tech savvy clients – including the relocating Baby Boomers.

This synopsis presents seven recent reports which will help you understand how to prepare and prosper with the tsunami of changes which are going to change the face of your practice forever.

Research Paper 1:

Mapping Fintech to the Financial Planning Process Why Fintech is not a threat.

Financial Planning Association of Australia - 2017

https://fpa.com.au/wp-content/uploads/2017/11/FPA_Fintech_White_Paper_Nov_2017.pdf

The paper found there were three main initiatives that an adaptive financial planning business can enact:

- Fintechs can offer clients a personal financial management site, application or document vault.
- As a result they can deliver financial plans which are not generic.
- Communication steps up the modern age in a modern planning business.

The finding of the report was:

What technology is doing for financial planners, is allowing them to implement planning models that showcase the benefits of financial planning, and deliver it to clients in an

efficient and highly engaging manner and where compliance / regulatory requirements are inbuilt into the process.

The key takeaways are:

- Clients across the age spectrums value digital financial planning tools that offer education, information, together with modelling tools, that can be used by the potential investor to explore and define parameters of their own situation before engaging a financial planner.
- Due to lack of communication, only half of current clients are satisfied with their adviser.
- There is a positive wellbeing on consumers who utilize planners.
- The Planners work capacity is reduced by inefficiency which needs to be eliminated, allowing more existing client engagement.
- Adoption of Fintechs allows the Planner to see more clients.
- The adviser becomes the mentor, educator, and behavioral coach which must be scalable.
- In 2017, on average it took over 26 hours to produce an SOA, therefore most Australians can't afford advice.
- 30 % of clients found dealing with advisers overwhelming and stressful.
- The true value of planning is the “*Am I on track*” guidance. This leads to more client referrals.
- Only 1% of planning practices have effective technology to implement the review process.

Efficiency in the advice process is the holy grail of financial planning.



Financial Mappers was one of a small group of Fintechs invited by the FPA to present at their **2017 FPA Congress** in Hobart and be part of the Fintech Hub.

<https://www.financialmappers.com.au/fintech-white-paper/>

Generation D – An emerging and important investor segment Accenture (USA)

https://www.accenture.com/au-en/~media/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Industries_13/Accenture-CM-AWAMS-POV.pdf

A new and powerful group of Investors were identified as *Generation D*. The report states that “*Gen D represents a Real Opportunity for Wealth Managers*”. This is more so with the Millennials – who represent a large and viable segment of the market. Advisers tend to over-estimate investor knowledge, as well as misunderstanding their client’s investment style. Clients tend to be far to want less risk.

This *Generation D* group is identified by behavior rather than demographics, however, the largest group is the Millennials. The paper says:

While this is not a homogenous group, we believe their shared characteristics offer a path by which financial service providers can better grasp how to find, attract and retain their customers and their assets.

The Skeptical Millennials (age 23 to 38 in 2019) are:

- Eager to learn about investing and the most determined to pass wealth on to their families.
- They will validate recommendations by seeking confirmation of advice elsewhere.
- 71% of the group are actively investing, but only 22% through and Adviser.

The Jaded Gen-Xers (age 39 to 53 in 2019)

- Least confident and least interested in learning about investing.
- As likely be self-directed as using an adviser.
- Nearly all are actively investing.

Trusting Boomers (age 64 to 73 in 2019)

- Enjoy a trusted and personal relationship with advisers.
- They understand that they need to keep up with digital changes, but it is not critical.
- They are the investors, with most income and net wealth.

The research asked the following questions to these three groups and the results are listed in brackets:

- I would never take the advice of my financial advisor without first consulting another source.
(Mil: 28%, Gen X: 14%, Boomers: 7%)
- I like to stay with what is tried and tested.
(Mil: 27%, Gen X: 25%, Boomers: 19%)
- I seek comfort and predictability .
(Mil: 33%, Gen X: 30%, Boomers: 27%)
- I spend a lot of time researching alternatives before making a major purchase decision.
(Mil: 44%, Gen X: 37%, Boomers: 33%)
- I need to fully understand all the different options / outcomes before I feel in control of a situation.
(Mil: 43%, Gen X: 42%, Boomers: 38%)
- Identify as a Conservative investor.
(Mil: 43%, Gen X: 27%, Boomers: 31%)

Advice Tech Research Report – 2018 Edition Netwealth

https://www.netwealth.com.au/web/media/276571/netwealth-advicetech-report-2018_online.pdf



For the last two years, Netwealth has published their ***Advice Tech Research Report***. This will give you insights into what other financial planners are doing in their practices and where the future of your practice may lie.

The reports starts with this wonderful quote from **Steve Jobs**:

Technology is nothing. What's important is that you have a faith in people, that they are basically good and smart, and if you give them tools, they'll do wonderful things with them.

The report lists the following the following opportunities for advisers:

- Having a positive mindset towards AdviceTech can help build engaging customer experiences and efficiencies.
- Your clients now compare you to the leading technology brands.
- AdviceTech offers the potential for new business models and services. Explore them to see if they can work for you.
- Technology implementation is not always easy. It requires a plan, resources and strong leadership.
- A lot of technological change and disruption is around the corner. If you aren't already, it is time to get involved in AdviceTech.

The New Face of Wealth Management In the Era of Hybrid Advice Accenture

<https://www.accenture.com/us-en/insight-new-face-wealth-management>

Clients of all age groups want flexibility, they want tools to give understanding and control but want access to advisers to help with the decision making and for reassurance.

Of the investors, worth more than \$US10M, a whopping 72% now question the value of a dedicated adviser, as do 56% of Millennials, the investors of the future.

Investors want new technologies which accessibility and collaboration with advisers.

Clients want to pay per use, not the AUM model, or pay as advice is received

BusinessFIT: Navigating towards the advice practice of tomorrow A Zurich Financial Services Whitepaper

<https://www.zurich.com.au/advisers/news/investment-insights/2017/businessfit-navigating-towards-the-advice-practice-of-tomorrow.html>

Financial adviser's role is Financial Lifestyle Coach

Advisers need different engagement, different interaction, and different financial tools.

This is a part of a quote from Tim Deamer, of Crosbie Wealth

Clients having tools that they can engage with are important, so when they interact with their adviser they feel as though they are being supported on their journey

Face to face communication remains essential but software that lets clients play around with their own investment portfolios may be required for Millennials.

As clients become familiar with “*automated*” products and a degree of self-management, they become more trusting and likely to reach out to an adviser for personalized guidance.

You need to know clients goals, passions and objectives so your recommendations are on target. Scenario planning is essential.

Technology will complement the adviser's "human touch"

Perhaps this will be by AI.

Clients vary in the way they choose to interact with their financial adviser. Successful advice businesses will need to re-engineer their business model to take into account clients that want to handover their entire financial decision-making, as well as those who want a do-it-yourself method.

Scalable solutions that consider the entire customer

Communication will not necessarily be office meetings.

Advisers should leverage scalable technology.

Tech tools have the potential to strengthen relationships, and open up an advice business to a broader and more diverse range of clients. Millennials are increasingly distrustful of financial institutions and want mobile engagement and interaction.

Research Paper: 6

Millennial, Mobiles and Money – The forces reinventing Financial Services Rocky Scopelliti

Global Industry Executive – Banking Finance & Insurance (Telstra Global Industries)
<https://www.telstraglobal.com/millennials/assets/gated-content-millennials-mobiles-money.pdf>

This report shows how the largest demographic group, the Millennials (Generation Y) will change the financial services industry. The key takeaways from this report are:

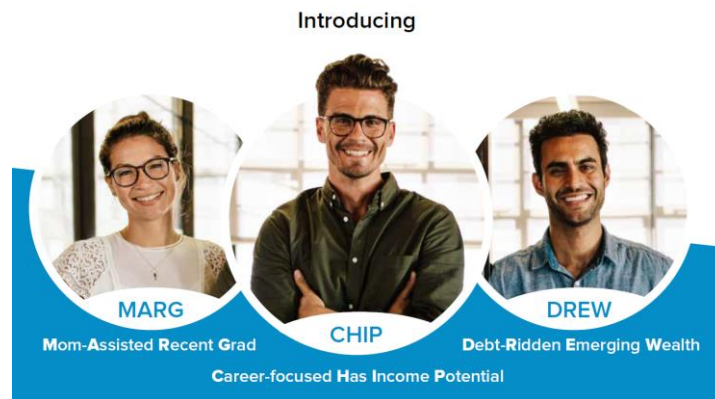
- **From transaction to partnership-based relationships:** The relationship is available for redefinition and those that want it desire it to be authentic.
- **Technology Confluence:** Their personal aspirations and their financial priorities are fused through a trusted value relationship.
- **Save first, wealth later:** Financial needs remain the same as those of previous generations, but technology is central to how they plan to address these.
- **Mind the relationship gap:** Most don't feel the relationship is currently ideal and as their affluence increases, so too does the gap of increasing risk of defection.
- **Do-it-yourself digital advice:** This is the preferred and more valued, particularly by affluent Millennials. A third prefer Siri or Google for advice, rather than a finance professional.
- **Fintech tasting (with many feasting):** Millennials are using or considering using non-traditional providers – and the affluent ones have the greatest appetites.
- **The convenience customer:** Convenience, customisation and value are the key reasons why Millennials consider using Fintechs.
- **Removing information asymmetry friction and making personal data portable:** This empowers Millennials' digital lives and unlocks disruption.

Beyond the Typical Millennial – What every advisor needs to know about the next generation of investors

Missy Pohlig, Director of NextGen Services (SEI)

<https://seic.com/knowledge-center/beyond-typical-millennial-research>

While this research is American, the same results are likely to follow in Australia. The goal of the research is to better help you understand millennials' needs and preferences so you can more effectively deploy your time, efforts and marketing dollars and set a strategy for the future.



The prime Millennial client is one with emerging wealth, ages 26 to 35 with more than \$100,000 in investable assets and high-earning potential.

Here are some statistics:

- 33% want free trial before paying
- 25% want “Pay as you Go” model
- 16% want “Recurring Fee” for continual use
- 12% want Assets Under Management Model (AUM)
- 8% want Commission based model

The key takeaways are:

- **Marketing to Millennials means updating your strategy:** Consider a scalable approach that uses digital marketing to capture the attention of millennials and serve them profitably.
- **Website and marketing materials must reflect your value to Millennials:** Think about financial planning for life events. The key life events which will trigger seeking of advice are marriage, home purchase, becoming a parent and milestones. In addition, Millennials have shown a keen desire to plan early for Retirement.
- **Market your content where Millennials are:** Consider promotions with social media such as “*The Knot*” to reach newlyweds or “*The Bump*” for new parents.
- **Zero in on target markets:** Your marketing is likely to be more effectively if you zone in to a particular demographic and profession – say “*Do’s and Don’ts of Tackling Debt from Dentistry School*”.

Co-planning is the best Approach

The report gives insights into how best to manage the co-planning option which is very desirable for these clients:

- Notify your client to update their information in your planning tool before the meeting.
- Analyse the information before the meeting to determine how it affects their plan.
- Develop a few options for ways to update and improve the financial plan.
- During the meeting, test the different alternatives live using the planning tool with your client.
- Review each option and educate them on how it affects the plan.
- **Consider giving them control of the planning tool to further test the options.**
- Together, you and your client make a decision about the best option to pursue.

Financial Mappers – The Perfect Tool Grow Your Business

The cost of delivering your services to clients is likely to increase with new regulations resulting from the recommendations of the *Hayne Royal Commission*.

Research indicates that all age groups want modular or scaled advice accompanied by short targeted reports at low cost.

Software letting clients play around with their own portfolios is essential for Millennials. This builds trust and they seek more advice as their wealth increases. With co-planning, the client feels empowered, learns a lot, does more of the adviser's work, and seeks more adviser services.

Financial Mappers Pro^{CONNECT} ticks all the boxes:

- Perfect for low cost online advice
- Perfect for modular or scaled advice
- Perfect for co-planning

Glenis Phillips SF Fin

The Creator of Financial Mappers