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Thought Leadership

A Perfect Storm for Wealth Management

2018 has seen many industries ripe for change making steps toward innovation. Wealth Management is an industry where there is significant change as a result of the perfect storm created by maturing innovative technologies, a new generation of investors with new expectations and digital-centric preferences, and new regulatory obligations, all of which have played an important role in the transformation of Wealth Management.

Stemming from this 'perfect storm,' firms have had to adjust business strategies, operating models, products and services, and technology approaches to compete with agile, digital-savvy FinTechs and startups and keep up with client and regulatory demands.

Ripe for Innovation

Much of the tech investment for wealth and asset managers has been focused on the back-office in the last few years, with the updating legacy systems and automation of any tasks that have highly-manual processes, such as client and account onboarding, to reduce time and costs, as well as any risks associated with human error, redundancy of information, and more. A large shift in middle-office and support functions have been improved with technology investment, with technologies like automation and artificial intelligence, especially on the regulatory front to adhere to calls for greater transparency and an increased focus on compliance from the Investment Management Agreements (IMAs) to Annual Supervisory Reviews.

However, Wealth Management industry challenges are still present, despite some investment in back-office practices. An overarching challenge for the industry at large lies in siloed, outdated systems. Disparate, disconnected experiences are common, in which platform components have been built as siloes disconnected from a holistic Wealth ecosystem, which becomes a larger challenge as clients demand more streamlined, holistic advice. There are also third-party integration challenges, in which there is a need to integrate best of breed into Wealth platforms, and without industry standards, this becomes extremely complicated, leading to a disjointed experience. Through all of this, advisors are overwhelmed with compliance obligations and regulatory burdens, aging Wealth platforms which require many steps for simple activities, and repetitive data.

Because of all of these roadblocks and challenges for advisors, Wealth Management is ripe for digital

transformation and innovation. Wealth managers, financial advisors, asset managers and buy-sides are examining user experience upgrades while at the same time balancing this with legacy system updates. Key areas of focus will include account onboarding, relationship management, customer analytics, and client portals. Additionally, gamification, augmented reality (AR), virtual reality (VR) and mixed reality (MR) are created opportunities for more competitive advisory training programs and immersive goals-based planning scenarios. And asset managers have an increasingly complex line-up of products for increasingly sophisticated investors. They are looking for ways to capitalize on trends like the rise in passive investments, surge in private label Exchange-Traded Funds (ETFs), and the move toward alternative investment vehicles from Private Equity, Real Estate and Exotics to Crypto-currency and tokenization of assets.

A New Focus

In 2018 and beyond, the challenge is largely focused on the front-office, and in particular, catering to a new generation of clients with a new set of expectations. While in the past, investors demanded a high-touch experience, self-service, robo-investors and robo-advisory, and unique user experiences are all competitive factors for millennial customers. And with a recent report from the Boston Consulting Group, *Global Wealth 2018: Seizing the Analytics Advantage*, finding that personal wealth throughout the world rose 12% from 2016 to \$201.9 trillion this year, and about 60% of these monies being investable assets, wealth managers are right to prioritize updated strategies and technology investment to compete with their FinTech counterparts and offer more to the wealthiest and most influential clients.

A Data-Driven Future

In its Top 10 Trends in Wealth Management 2018 report, Aite Group specifically discusses artificial intelligence (AI) as a top trend for the industry, with some of the top drivers for AI being accelerating business transformation, an abundance of available data, and the pursuit of client engagement, loyalty, and retention. The report states that presently, AI terms are inconsistent, and before AI is even considered, firms must be clear on their business case and the status of their data.

The answer to a plethora of data, and a market that is already considering AI-powered tools, is a data science approach to leveraging existing data. Sophisticated tools for client engagement focused on data-driven intelligence will create better, higher impact customer experiences. With significantly more data in-hand, and more digital capabilities available, there is an industry need for applications that will help advisors deliver more informed investing strategies with a shift in the advisory model toward client engagement, emotional intelligence, and decision support. Transformation is not something that can happen overnight, but requires an incremental plan for advancement and discipline in execution. Using data science techniques, platforms that afford advisors the opportunity to analyze portfolios and proactively engage with clients and prospects with insights into time-sensitive information, coupled with historical data for a customized experience, built on large-scale data ingestion, transformation, and analytical capabilities, will be the most game-changing for advisors catering to both new, millennial customers as well as legacy, high-net worth individuals.