Selecting and Deploying a Financial Planning Platform: A Guide for Enterprises

OVERVIEW

Financial services is an industry in transition. Market forces—robo-advice, the easy availability of investment information, and low-cost index funds—are compressing margins. To grow their businesses, forward-thinking enterprises must expand the client base for their financial planning services.

The good news is that clients and prospects are increasingly interested in planning: According to Cerulli Associates, 64 percent of advisors agree that client demand for planning is increasing.[1] Phoenix Marketing International estimates that there are 14.1 million households in the "near affluent" category with between $100,000 and $249,000 in investable assets.[2]

By attracting prospects and serving clients across the wealth spectrum—from mass market to high net worth—with financial planning, enterprises can drive sustainable growth.

THREE TRENDS DRIVING THE NEED FOR PLANNING

Trend #1: **Investors Who Are More Focused on Planning**

The advent of robo-advice and the availability of online investment information has made access to digital financial advice more prevalent than ever. As a result, investor expectations for their financial advisor have increased. They are seeking a seamless customer experience that translates across all devices, more sophisticated services, and a high-touch, personalized approach to financial advice that takes into account their unique lifestyles and goals.

These investors want advice that is tailored to their individual circumstances, supported by holistic planning solutions that will help them achieve their life goals: More than 50 percent of investors say that by 2022 an advisor's ability to provide holistic goal planning will be most important when they're selecting a financial advisor.[3]

In addition, Deloitte Center for Financial Services predicts that differentiating through customer experience and "customer engagement and building meaningful relationships" will become key activities among advisors competing to grow their books in 2019.[4]

Trend #2: **Greater Investor Diversity**

As the population of the U.S. grows more diverse, financial planning is of greater interest to a more varied demographic. In addition to ethnicity, diversity includes age, client wealth stage, financial knowledge, income, and assets. To drive revenue, enterprises will need to meet the varied needs of today's increasingly diverse clientele.

Trend #3: **Digitalization of Financial Planning**

According to a report from ESI ThoughtLab and Broadridge, Millennials will inherit between $30 and $40 trillion over the next 15 years.[3] These "digital natives" not only expect tools to help them manage their money, they also influence the older generation's desire for automated financial planning solutions and 24/7 access to their finances. Research shows that 43 percent of all clients expect "anytime, anywhere, any device" access to their financial information.[3]

Despite their attraction to all things digital, Millennials also want to work with human financial professionals. According to a recent FINRA/CFA Institute Report, Millennials are looking for relationships with their financial advisors that are "collaborative." Two-thirds of respondents say an advisor can build trust with them by "customizing their approach to my needs."[4]

Challenges to Implementing a Planning-based Strategy

As advisors respond to these economic, demographic, and technological trends by changing the way they create financial plans, they need to increase efficiency, grow revenue, and reduce costs. It's a tall order, with several challenges.

#1. Advisors Who Lack Planning Experience
Enterprises may have advisors on staff who have been responsible for selling financial products rather than financial planning. Having focused on building transaction-based books for insurance businesses or broker-dealers, these advisors may lack the expertise needed to create comprehensive plans.

#2. Inconsistencies in the Planning Process
Process inconsistencies challenge enterprises in several areas of financial planning. These include the advisor's experience of the business workflow, data-gathering methods, the client experience, and the client portal. A lack of consistency may impact efficiency and revenue for both the enterprise and the advisor.

#3. Evolving Fiduciary Rules and Compliance Issues
It can be difficult to monitor the client interactions of individual financial advisors to ensure they're meeting regulatory requirements and fiduciary rules. A related challenge is managing compliance at scale by establishing approved processes for advisors and recording their activities across all client segments.

#4. More Clients, More Diversity, More Customization
Enterprises increasingly find themselves serving clients across different wealth stages—from accumulators to retirees—with a variety of financial needs. Based on their digital experiences with companies in other industries, clients expect interactive, real-time financial experiences customized to their specific situations and preferences.[2]

#5. Varied Expectations Among Financial Advisors
Today's financial enterprises include advisors with a range of experiences and expertise. Some advisors may be skilled at providing detailed, comprehensive plans for each of their clients. Other advisors may prefer meeting with clients and delegating the creation of financial plans. The reality is that data collection, analysis, client communication, and financial plan creation can be resource-intensive, but are crucial for success. As enterprises work to scale their practices and serve more clients, they have to be able to support the advisors building and delivering these comprehensive financial plans.

Evaluating and Implementing an Enterprise-wide Financial Platform

To drive growth, successful enterprises will need to provide an end-to-end planning solution that helps advisors meet the evolving needs of their clients. These firms will harness the latest technology for data collection, integration, and analytics. Their platforms will promote the consultative and collaborative approaches that clients are looking for.

To properly evaluate and implement an enterprise-wide platform, enterprises will need an actionable, step-by-step approach. What should an enterprise consider when selecting and deploying a financial planning platform?

The first step is to determine the goals for each area within the enterprise.

#1. Identify Goals

By identifying practice goals, decision makers can evaluate how well a particular financial planning platform will meet the enterprise's needs.

Typical goals may include:

- **Growth –** growing assets under management (AUM) either by increasing the client base (e.g. adding a spouse or grown children as clients) or by providing additional services to existing clients
- **Efficiency –** boosting advisor productivity by reducing the preparation required for client meetings and financial plan creation so advisors can focus on serving clients
- **Transparency –** satisfying record-keeping and fiduciary duty regulations
- **Client experience –** providing clients with more ways to engage and interact through client portals

#2. Address Three Fundamental Questions:

1. Which capabilities do we need to meet our goals?
2. How well does our current technology meet our capability needs?
3. Which capabilities are we lacking?

#3. Stay Focused on Engagement

A financial planning platform should enable advisors to engage their clients with planning. It should offer interactive experiences that facilitate planning at scale, foster engagement, and deepen client relationships.

An innovative financial planning platform includes the technology and data management capabilities that help the enterprise efficiently scale its business based on growth across all types of clients.

Areas to Consider when Deploying a Planning Solution

#1. Data Strategy

Because robust data management is critical to the successful deployment of a platform, IT departments should evaluate how well a prospective platform will integrate with their current technology stacks. A practice should understand its data architecture, including the assets under management, other performance reporting platforms, and data connections for things like client credit cards or mortgages. For most advisors, this starts with the assets they're managing and the assets that are coming from their custodian.

Questions to consider:

- **What information will be shared between the systems?**
- **Is there a potential for the platform to pull information directly from existing custodial client profiles to reduce duplicate data?**
- **How much will it reduce manual work and human error?**
- **Do these integrations boost advisor efficiency and productivity?**

Another consideration when evaluating the data strategy of a financial planning platform is how well it supports your enterprise practice goals. For example, does the platform data strategy improve customer support, enhance training for new financial advisors, and promote business development with lead generation tools or targeted marketing materials?

#2. Compliance

It's important to carefully review a platform's compliance capabilities. Look for platforms that transparently monitor all advisor-client interactions. The platform should automatically track data gathering, financial calculations and assumptions, financial plan creation, and ongoing financial planning and portfolio transaction activities to meet regulations for record-keeping.

#3. Integration and Aggregation

To streamline and automate advisor workflows, enterprises should consider the platform's integrations with other software in their tech stacks. A well-integrated financial planning platform should eliminate redundant planning technologies. At the same time, it should be innovative enough to integrate with new technologies and future programs.

To help advisors focus on serving their clients, the platform should provide capabilities like account aggregation, which relieves advisors from having to manually input client account information. To serve a wider variety of clients, the platform should allow advisors to graduate their clients to more advanced planning solutions as their clients' financial circumstances become more complex.
The platform should integrate with leading software tools for customer relationship management, brokerage, and risk management to provide advisors with a seamless workflow.

#4. Training and Support

Because financial planning is an ongoing process, it's important that advisors maximize their value from the enterprise's investment in fintech. That investment is in more than just a platform—it includes the service and training that promotes the enterprise's financial practice.

When considering a tech solution vendor, pay close attention to the end-to-end customer support services they provide. For example, do they offer onboarding and training services to help advisors adopt the platform?

68% of financial advisors report that learning about and keeping up with new technology is their number one challenge.[4]

#5. Success Metrics

Investing in a Planning-led Model

64 percent of advisors agree that client demand for planning is increasing.[1]

72 percent of advisors find creating a financial plan long and tedious.[1]

40 percent of advisors who provide financial planning services have 40% higher AUM.[1]

42 percent of advisors see higher revenue growth by using digital technology.[3]

32 percent of advisors report technology generates cost savings and operating efficiencies.[3]

When evaluating costs and ROI, consider how well the platform can scale financial planning among a variety of advisor types and client needs. Ask the service provider how much time it typically takes to create a plan using the software. Can advisors more efficiently segment their books? Does it accommodate the creation of sales funnels for different types of clients based on life stage or financial assets? And does it remove the need to invest additional time, money, and training for multiple technology platforms?

Analytics can provide benefits at multiple levels: the enterprise level, the office level, and the advisor level. With a platform that provides all three, the enterprise can drive stronger ROI across the board. With analytics, advisors can drive ROI and improve practice efficiency.

Conclusion

The financial planning industry is undergoing significant transformation: Client needs are evolving due to the rise of robo-advice, the growth of easily accessible online investment information, and clients' experiences with digital services in other areas of their lives.

To stay ahead of their competitors, savvy financial planning firms understand the need to apply technology that will give them an edge. Success increasingly depends on choosing the right financial planning platform—one that will streamline advisor workflows and deliver superior client experiences. The best platforms will meet today's needs and support tomorrow's practices through continuous innovation.

SOURCES

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