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The Enterprise of the Future:

Meeting Financial Professionals and Clients on Their Own Terms

A tectonic shift is taking place in the financial advisory world, driven both by investors and the financial professionals who work with them. Enterprises that navigate these changes successfully position themselves for the future; those that maintain the status quo do so at their own peril.

New generations of clients have radically different expectations and goals for their finances—and their lives as a whole.

Financial professionals, in many respects, are playing catch-up with the changes that come with a new wave of clients. According to the Fidelity 2019 Financial Advisor Community (FAC) study, 57 percent of advisors' clients fall into the Baby Boomer or older category, with 61 percent either nearing retirement or being retired and actively drawing down assets.[1]

As the opportunity with this generation wanes, financial professionals need to shift gears to focus on the more than 83 million potential millennial investors, who are among the largest, best-educated, and most diverse generation that today's advisors will see in their lifetime.[2] And they'll need to do this as they themselves approach retirement age and navigate the regulatory burdens pushing many of their colleagues out of the industry early.

While younger generations of financial professionals may have an innate understanding of Millennials and Gen Z, along with planning degrees and technology knowledge, they're challenged by a relative lack of life experience and no book of business.

Firms can help both clients and financial professionals navigate these changes and flourish. Enterprises who make smart investments in their workforce and technology today will find themselves prepared for what the future holds.

Preparing for the Financial Professional of the Future

Typically, periods of extended market volatility and economic uncertainty lead to an increase in merger and acquisition (M&A) activity in the industry. For financial professionals, this disruption at the enterprise level acts as a catalyst for change, requiring them to deepen existing client relationships. This personal connection, and ability to provide a holistic financial planning experience to clients, is essential to retention and growth of assets under management (AUM) following any spurt of M&A activity.

> **Alois Pirker, Research Director of Aite Group's wealth management practice, points out how critical it is in times of uncertainty, like the COVID-19 pandemic, for financial professionals to ready themselves to meet client needs.**
>
> **"Proving value to the client will go a long way and the crisis might accelerate the movement to more holistic advice," he said. "If you're not there when a client needs it with the right information they need, they'll start looking for another service provider."**

Firms saw this same trend following the Great Recession, and similarly now, need to play a leading role in affecting bottom-up change in terms of getting advisors into this holistic mindset. Financial professionals need support from home offices to prove their value to clients and capitalize on current market conditions.

Preparing the whole enterprise for the future of their workforce involves a four-part strategy: retaining financial professionals, attracting new talent, onboarding financial professionals quickly, and supporting their experience within the firm's technology ecosystem.

Firms also have to accommodate the client of the future. Traditional financial planning service offerings should be transitioned to follow a more holistic approach to planning, and personal client data must be protected at all costs. This includes building in a value-exchange for this data—to establish trust with a new generation of clients.

Retaining Financial Professionals

The average age of a U.S. financial advisor is 52-years old, and more than one-third of them plan to retire in the next decade.[3] This trend likely generates some anxiety with firms since it will impact almost 39 percent of the industry's assets. The smart, future-focused enterprise keeps a close eye on retaining these seasoned veterans during the years when they're likely to have their highest AUM, and another eye on retaining the ever-important new advisors who comprise the future of their workforce.

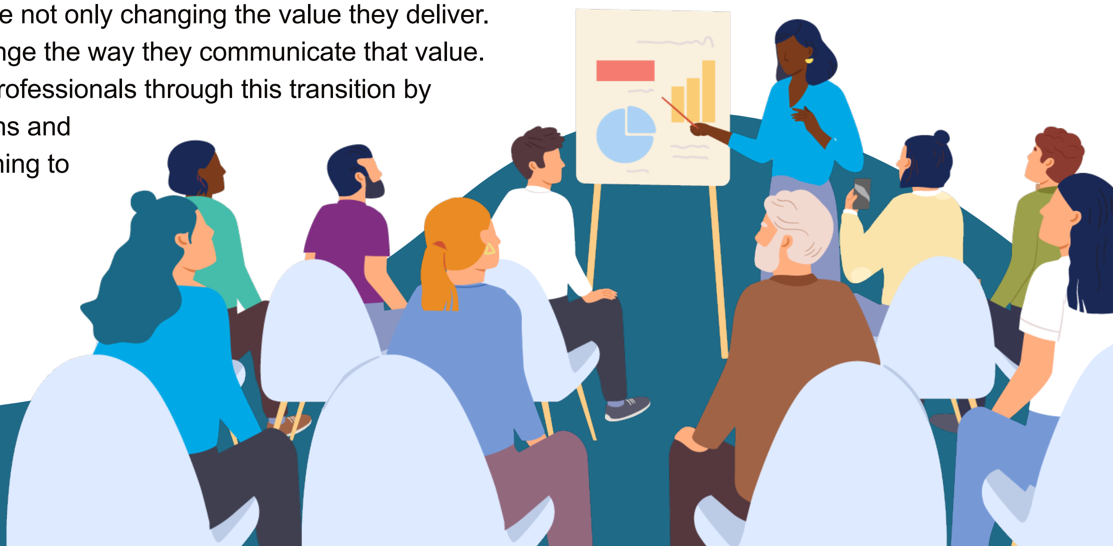
The challenge of retaining veteran financial professionals is that some may be accustomed to managing investments the way they have for decades and resist evolving their career to become more planning-led at such a late stage—even though it may be key to their continued success. Regulatory burdens add to the pressure these changes bring and encourage some to leave the industry early.

To manage these complexities, the enterprise should:

- **Deploy integrated and easy-to-use planning technology.** Prioritizing the integration of technology into the existing financial planning workflow can help reduce fear and frustration while shortening the learning curve, which are often cited as the most common hurdles to tech adoption and satisfaction. A highly integrated platform supports firm-wide efficiency as well, which may help financial professionals maximize ROI from planning faster.
- **Keep financial professionals focused on high-value tasks.** A move to planning and the technology that supports it should include training, coaching, and support to speed up learning and efficiency. Delegate tasks like data entry to support staff or make use of professional services offered by your planning tech provider so your seasoned advisors can continue focusing on bringing in new business.

> **"Adoption is the new innovation," said Bill Bachrach, Chairman and CEO of Bachrach & Associates. "It's inspiring to see people who want to do it right," he said of financial professionals and firms who focus on the implementation and optimization of a current technology before rushing to purchase something even newer that promises results.**

In driving these financial professionals to adopt a more holistic planning approach, it's important to remember that you're not only changing the value they deliver. You're also challenging them to change the way they communicate that value. Enterprises must support financial professionals through this transition by helping to enable these conversations and supporting the sale of financial planning to existing clients and prospects.



Attracting New Talent

Every year, new financial professionals emerge from schools with planning degrees and deeper levels of technology expertise. However, they don't yet have the life experience and the personal connections needed to build a book of business, and they often haven't learned the soft skills needed to develop long-term planning relationships centered around client values and trust.

What exactly are these "soft skills?" Soft skills are at the core of values-based advice—something the next generation of planning clients will come to expect from their advisor. Talking about money is deeply personal and diving into a client's most closely held values requires an empathetic and practiced approach, especially at a profitable scale. Investing in soft skills now, particularly in younger professionals who will serve as the future of your business, is essential for keeping pace with differing generational expectations.

- Develop the soft skills
- Put the right tools in place
- Build hybrid teams
- Make financial planning a mission
- Create retention through purpose

For example, 25 percent of Millennials consider their mental health, and the therapy and counseling needed to maintain it, to be an essential expense.[4] This is a shift from previous generations, where just 19 percent of Gen X and 12 percent of Baby Boomers had those priorities.

Technology can support these types of shifting needs and free up financial professionals for more complex and high-touch work that will differentiate their firm. Enterprises with the tools and reputation for training these new financial professionals to build a solid foundation for their careers will position themselves well for the future.

> **Bachrach echoes this sentiment: "The main thing I do with the next-gen advisors is help them blow up their limiting beliefs. What I do is I give them confidence by pulling back the curtain and showing them what's possible. They have to have a value promise, not proposition, and become better advisors by making financial planning a mission."**

He says having financial planning software is like having a car; yes, others have cars too, but not everyone can drive it to win a race. It's about the driver, not the car itself.

To support the growth of new financial professionals, firms should consider building hybrid teams or relationships between seasoned professionals and junior ones. The established financial professional imparts the much-needed life experience and soft skills, while the younger professional can manage the technology and platforms that older workers may be resistant to—a win-win. It also helps to mitigate some of the attrition that enterprises experience with younger financial professionals who are dissatisfied with selling products. Giving young professionals what they need to help people achieve their most important goals can build retention through purpose.

Onboarding Financial Professionals Quickly

The enterprise of the future must provide financial professionals with the tools they need when they need them. This is the key to onboarding financial professionals and quickly ramping them up to productivity. Firms should set processes internally, or in partnership with vendors, for technology training and success coaching. Efficient and effective onboarding helps minimize the cost and disruption associated with bringing on new professionals and empowers them to start growing their book of business sooner.

Modularize your approach to technology implementation to support a faster and more seamless onboarding experience. Depending on your firm's size and business complexity, you may not need every component and capability your selected technology provides. This starts at configuration options and carries through to the user-level functional experience. Prioritize the tools and capabilities you know your team needs to be successful on day one and add (or subtract) elements as you scale up or down. This can improve efficiency and reduce costs, while also helping you avoid overwhelming new employees with complex tools they don't need as they get up to speed. Configuration of the experience is a process best tackled between the home office and the tech vendor prior to roll out so your team has the freedom to learn the platform and operate within the clearly defined boundaries of the platform and your firm's experience.

When possible, it's beneficial to give financial professionals the freedom to choose the planning technology they use. Allowing them to bring their preferred tools with them when they join can offset operational costs to the firm, reduce the risk of low ROI due to poor tech adoption, and limit disruption on the financial professional's experience. This sets up a smooth onboarding experience and allows the financial professional to maintain existing relationships with clients.

> **Leigh Van Heule, Director of Financial Planning Consulting at Kehrer Bielan, also advises that bringing people together in a team can help to onboard more young professionals quickly and solve for the shortage of advisors in the industry as a whole. "A lot of advisors have too many clients in their books. Part of the future and how they need to evolve is understanding what their limitations are and taking a teaming approach to really right size their books so they can lead with planning and have those holistic conversations."**

Supporting the Technology Ecosystem

Future-focused enterprises need to support the technology that will serve as a facilitator of change and empower financial professionals to take a more holistic approach to planning. Selecting the right technology should start with involving the right mix of stakeholders up front so the enterprise can “measure twice, cut once” on their technology purchasing decisions.

You should consider a matrix-based approach to gathering stakeholder feedback to inform your purchasing decisions, gathering input from your planning team, office administrators, back-end data architects, and other key functional areas. Larger firms may want to build a technology committee tasked with vetting potential purchases and understanding how they can be deployed within your existing tech ecosystem. This can help ensure the appropriate approach is taken to deliver the best solution for your firm according to your budget and schedule. This is especially important when complex solutions like APIs are involved.

With a dedicated technology committee in place your firm is in a better position to partner with your technology provider, so you collectively understand the problem, the available solutions, and can decide on the most direct and cost-effective path to achieve a successful launch.

Supporting the Technology Ecosystem (CONT.)

Because of their relative size and complexity, enterprises benefit from financial planning platforms that are nimble and can evolve or serve-up different solutions to address the needs of clients at any stage of their financial lifecycle. Your platform should offer capabilities that address both simple and complex planning so the financial professional can pull different levers to develop a plan that achieves the client's increasingly sophisticated goals over time. Beyond meeting those needs, the platform should also support a streamlined workflow that improves efficiency and yields higher planning profits. And, of course, it needs to support compliance-related activities, with features like secure document storage and audit logs that enable full transparency and traceability through the whole planning process.

As an enterprise, you make yourself an appealing home for financial professionals when you can offer them, and their clients, their preferred planning experience. In the short term, look for platforms with a low point of entry that can support a model that provides your team with freedom of choice. This could come in the form of direct practice management support or a home office-based tool that offers compliance and oversight of planning-related activities and client interactions without requiring a commitment around planning subscriptions.

> **"This approach allows you to offer your team, and the high-quality talent you want to attract, planning platforms without shouldering the investment all at once," said Mike Hemmert, VP Enterprise Sales at eMoney. "Looking further down the road, giving advisors the tools they want, and being able to have some visibility into and control over the planning process, without an enormous investment, will position your firm to lead advisors into the future."**

Preparing the Enterprise for the Client of the Future

Millennials and Gen Z will bring with them a tidal wave of change. These potential clients are choosing to delay the traditional concept of adulthood, leaving home and becoming parents later in life. Twenty percent of adults 20- to 37-years old now live with their parents (double the rate from 2001)[5] and the average age for a first-time mother in 2016 was 28 years old, up from 24.6 in 1970.[6] Gen X women make the financial decisions 55 percent of the time for their households and Millennials have a lower net worth than their same-age counterparts in the two previous generations.[7]

Gen Z, who are just hitting the radars of financial advisors, are pushing even further into new territory: Among the parents of Gen Z, the number of same-sex couples raising children has doubled; one-third of the Gen Z generation knows someone who identifies as gender-neutral, and many others are fluid with their gender identity.

These generations have specific values, and financial professionals need to understand and cater to these values in order to stay relevant.

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Moving to Holistic Planning and Beyond with New Technology

The planning clients of the future have dramatically different values and expectations for financial advice. Simply helping clients manage their investments with an eye on success at the wealth distribution phase is not enough. Clients expect their financial professional to serve as a trusted advisor or life coach who provides planning strategies that map closely with their personal values, to offer sources of advice they trust, and to tap into their preferred advice delivery platforms.

Enterprises that can achieve personalization at scale to meet the needs of new generations of clients, as well as those of current clients who are dealing with life changes and market forces, will gain a competitive advantage by positioning their financial professionals as life coaches who deliver value-based advice.

The key to this shift for enterprises is to get financial professionals into a more planning-led mindset. Holistic planning that accounts for a client's entire personal and financial life is important in serving the next generation that has a more integrated concept of wellness.

Additionally, clients want their financial professionals to demonstrate their genuine commitment to their financial well-being. This generation has an inherent distrust of financial institutions, so going above and beyond the traditional scope of advice is key for building engagement. Proving dedication to financial wellness could come in the form of budgeting tools that allow clients to affect change themselves in a self-directed, hands-off format that features a wealth of educational resources.

Advice also needs to be accessible to a wider audience in a greater number of channels for the digitally-native. This advice could be in a low-touch, mobile format that serves short-term goals and allows for episodic advice. It could also include the gamification of advice delivery for greater engagement and to align with the expectations of investors down the road.

For the client of the future, personal finances may only be one piece of the pie that financial professionals are expected to facilitate.

Protecting Personal Data to Build Trust

Enterprises need to meet clients' growing expectations for transparency, protection of privacy, and an exchange of value for the personal data they share with their financial professional. Younger generations are born into a world where data is currency—protecting their data is a powerful way to create a foundation of goodwill.

> **"People believe they should receive a benefit for sharing their data," said Deanna Laufer, Director of Research at Fidelity Center for Applied Technology. "Financial professionals need to be very clear in what value they're going to provide in exchange for someone's data. That value can range from low-level, transactional value, like receiving rewards, all the way through high-value benefits that actually make a client's life better, like helping them fund their retirement."**

Back-office functions like compliance and data security are not necessarily what enterprises and advisors would think of as a leading benefit for clients, but committing to best practices in these areas will garner trust and help build stronger relationships, especially when clients understand the value of sharing their data.

A single firm dashboard for reviewing digital assets and presentations for clients can streamline the approval process. Some financial planning technology platforms even offer features like tracking time-stamped records of changes and workflows. Having this type of transparency around your firm's financial planning process can add a layer of security to help ensure your firm meets regulatory mandates like the SEC's Regulation Best Interest and the new CFP Board Code of Standards and Ethics. It also reassures clients that key conversations are documented and reviewed responsibly.

Protecting Personal Data to Build Trust (CONT.)

Security should also be top of mind for enterprises striving to meet new generations of investors on their own terms. Promote the security of your processes and your technology. Be proactive about sharing your security protocols with investor clients. Show them how to protect their data within their personal financial website and explain how that data is secured during the planning process with their advisor. Seek data aggregation service providers that do not share or sell your client's personal information, and make sure you understand your platform provider's data security and risk management policies.

While security may not seem like the most direct way to engage clients, new generations have different standards for privacy and transparency. Firms must establish processes to accommodate these expectations. All of these steps support the enterprise's efforts to build client trust, which is a foundational aspect of deeper relationships focused on personal values.

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Becoming the Enterprise of the Future

Financial advisory firms are set to experience significant change, driven by both their clients and financial professionals. As new generations of investors mature and emerge as planning clients, the enterprise should be prepared and equipped to meet their expectations and goals.

Frequently, these expectations are vastly different than what financial professionals have handled in the past, which requires a significant mindset shift: Planning should evolve into values-based advice and life coaching. However, financial professionals should not be expected to blaze this path alone.

The successful enterprise of the future will emerge by providing the tools, training, and direction to help financial professionals meet their clients on their own terms.

SOURCES

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