

FUTURE OF  
**WEALTH**  
MANAGEMENT





# THE NEW FACE OF WEALTH MANAGEMENT

## A course change looms for firms of all sizes and clientele

Wealth management as we know it is obsolete.

The days of one-to-one, product-led advisement are now as dated as yesterday's news. The coming of age of a new type of client, new digital options such as robo-platforms and a plethora of new regulation combine to completely change the playing field.

The savvy wealth management C-suite officer strives to see the entire picture, fitting the pieces together to facilitate charting a course for the future.

Digitally-led hybrid advice, differentiated for client experiences, is upon us already. This model is so completely different from what most firms have built upon that it requires rethinking and retooling—now, for a new breed of client coming into its own.

The inclination to label these shifts a passing trend may be tempting, but it is not accurate. Dealing with these shifts is essential to remain relevant in an industry that looks very little like its predecessor.



# FIVE TRENDS CONVERGED TO CREATE THE NEW LANDSCAPE

## 1. COMPETITION INTENSIFIED

In a mature market, where everyone is looking for new growth opportunities, other financial institutions have broadened their reach into your client base. Pure digital portfolio management platforms, like Wealthfront and Betterment, are only the beginning. Non-financial players and online wealth managers are expected to gain ground over the next several years, with nonfinancial players increasing to 20% and online wealth managers increasing to 30% by 2018.<sup>1</sup> Google is serious enough to have commissioned a study in 2014 on how it could enter the asset management arena,<sup>2</sup> hoping to compete by disintermediating entire industries, becoming the gateway for information and decision making.

## 2. DEMOGRAPHICS SHIFTED

Demographics shifted, and continue to do so. Women will soon control a larger share of assets, as single, divorced and surviving spouses grow in number. Millennials will surpass Baby Boomers as the largest generation, bringing their digital expectations with them.

## 3. CLIENTS BROUGHT NEW EXPECTATIONS

Clients brought new expectations to the table. Today's population demands transparency and control in wealth management, just as they do in education, consumer goods and other industries. They are vocal in their desire for lower fees; no longer will loyalty keep them in one place. Ninety percent of Baby Boomers rank fee structure as important in selecting an advisor, with 91 percent of Gen X and 93 percent of Millennials saying the same.<sup>3</sup> Goal-based planning, advice-led rather than product-led, is key to winning the new breed of customer.

## 4. DIGITAL HAS ARRIVED

Digital has arrived and will only grow in prevalence, as it fuels agility and efficiency in wealth management practices. While most firms today are skeptical of virtual interactions, 76% of investors disagree with the statement that “digital technology limits facetime or reduces the quality of the advisor relationship.”<sup>4</sup> Investors overwhelmingly value collaborative relationships enhanced by digital technology.

## 5. REGULATION

Need we say more? Your teams deal with increased regulation around fraud prevention, fiduciary responsibility and other areas, impacting the industry on a growing basis. Practices are forced to reconstruct key areas of business to comply.



# NEW CLIENTELE, NEW BUSINESS MODEL

**Your “new” clients are, in some cases, your old clients. These include those that perhaps have been underserved, as well as some truly new faces. Women and Millennials will comprise a much larger portion of your client mix. A few reasons underlie this shift:**

## TRADITIONAL CLIENTS

Traditional clients are approaching the wealth transfer age; in North America, the average age of a wealth client is 63. We are approaching the largest transfer of assets ever, due to an aging global population. In North America alone, over the next 30 to 40 years, an estimated \$30 trillion will change hands<sup>5</sup>—much of it going to women (spouses) and the next generation.

## MILLENNIALS

Millennials are becoming the largest generation. As they come of age financially, these career-minded, tech-savvy potential clients will account for almost three-quarters of all income by 2025.<sup>6</sup> Eighty-four percent of Millennials said social opinions influence their purchase decisions,<sup>7</sup> which requires traditional firms to up their social media presence and strategy. Sustainability is key in this client segment, as firms like Kiva are disrupting the broker model by allowing investors focused on sustainability to invest directly in small- and medium-sized enterprises that support the greater good.<sup>8</sup> Younger investors not only perceive these companies as socially responsible, but they also feel that they are directly helping to start new businesses and grow economies.

## WOMEN

Women’s earning power continues to rise. As more women choose to remain single or divorce, they look to support themselves and the next generation for years to come. Globally, women account for 40 percent of the workforce but hold only one percent of the wealth.<sup>9</sup> Over time, wealth ownership by women will grow dramatically as the imbalance between workforce composition and asset ownership corrects. Career-minded women want a new breed of wealth management—communicative and efficient, interactive, with frequent touchpoints.<sup>10</sup>

Some firms have already been shifting their advisor workforce mix for some time, anticipating a changing customer.

## GOAL-ORIENTED INVESTING

This changing customer requires an approach that meshes with goal-oriented investing. Investors always have asked for outcomes, but their requests were met with a product menu that either the investors or their advisors needed to sort. In the future, wealth managers will be selling outcomes, not traditional investment products.

Recent increases in target-date funds is one example of investors taking a more outcome-oriented approach. Target-date funds marketed to U.S. clients seeking to save for retirement have accumulated assets in excess of \$650 billion, according to Morningstar.<sup>11</sup>

But funds with a retirement objective are only one target-date opportunity. Funds can be developed to cover college tuition, transfer wealth at a pre-determined age and achieve many other financial objectives.

**“ In the future, wealth managers will be selling outcomes, not traditional investment products. ”**

Outcome-oriented investing is not limited to mutual fund offerings in their current state. Firms could provide useful insights to clients who are independently managing their own portfolios. Often, professionally managed portfolios include different buckets of investments designed for spending, generating cash flow, or appreciating over the long term. Investors could design their own portfolios by choosing different allocations for each bucket of assets. This is essentially self-serve, outcome-oriented investing for those who choose to buy their own products instead of paying an advisor.

Programs similar to annuities or private-pensions represent another objective-driven option. Clients invest over a long period of time and receive a cash flow payout at the end of the term. The cash payout could be for a variety of objectives, including education and retirement. While these outcomes are expected, they are not guaranteed. So the client—not the investment firm—retains the risk, which could help firms combat government-mandated capital restrictions and fee pressure. Improved and intuitive data visualization available to wealthy consumers increases transparency and causes fee convergence for product types—this will be particularly impactful for more opaque products like today’s annuities. Future private pension-like-products may still utilize withdrawal restrictions to enable investment in less liquid strategies to improve the risk return profile. This presents an opportunity for alternative products to become more mainstream, as they would play a role in these outcome-oriented portfolios.

Target-date funds and private pensions are only a two examples of the potential for outcome oriented investment products. Firms already are experimenting with this approach. BNY Mellon, Merrill Lynch and a variety of other wealth managers offer objective-based portfolio management approaches.<sup>12</sup>

# QUESTIONS TO ASK YOUR LEADERSHIP TEAM

**Even if you are clear on the changing market and client, you may still want to ask the right questions for driving change within your organization. At a minimum, these are the questions we encourage you to bring up with your teams:**

## **WHAT IS OUR FUTURE VALUE PROPOSITION FOR THESE NEW CLIENTS?**

The advancement of the mass affluent and direct-advice model are eroding the traditional high net worth offering. The mass affluent segment now expects offerings similar to those available to high net worth clients.

New demographic segments are already demanding lower fees, which preclude an exclusively one-to-one environment between advisor and client. The advisor value proposition is becoming harder to justify as emerging digital platforms are offering similar services at a fraction of the cost.

As clients demand access to digital-driven experiences for investment management, we see the new value proposition as delegated robo-based investment management offerings, complemented with access to advisors for financial and retirement planning. Utilizing a pay-as-you-go fee model, clients are put at the forefront of the decision making, albeit in guided fashion.

## **WHAT DOES INCORPORATING A HYBRID MODEL REQUIRE US TO CHANGE IN OUR BUSINESS?**

The shift to more DIY models, as well as a tech-savvy customer bases, requires greater transparency and control for your end clients. Pay-as-you-go advice is necessary across all wealth segments, no longer just in the mass affluent sector.

Customized, holistic advice that moves beyond portfolio returns and distributions is coming to the fore. From household financial planning to business finances, clients require a broader and deeper conversation than advisors have traditionally provided.

Digital access and collaboration. Secure document sharing and sites built for mobile devices are considered de rigeur by your newest client segments.

Low-fee investment options are a must and the new breed of competitor is providing them. From guided portfolios to actively managed ETFs, clients want value without high cost.

## **WHO IS THE NEW COMPETITOR AND HOW DO WE ADDRESS THE THREAT?**

Think beyond start-ups to more unusual competitors. Snapchat, for instance, has expressed interest in developing a robo-advice platform to capitalize on their captive audience, Millennials.<sup>13</sup> These new entrants could be formidable, given their familiarity with the new generation of wealth, as well as their digital savvy.

Robo-advisor platforms are forecasted to reach \$2 trillion by 2020.<sup>14</sup> Regardless of whether offered by social networking companies, startups or traditional leaders, they will be the cornerstone to any new wealth management offerings.

## **WHAT NEEDS TO SHIFT TO GO FROM PRODUCT-LED TO ADVICE-LED COUNSEL?**

Your cross-sale and collaboration strategies should change when moving to advice-led counsel. Advice-led counsel is around best servicing your client from the client's sum total perspective rather than selling from the typical firm siloes via individual products.

## **HOW CAN DIGITALIZING HELP US REDUCE COSTS AND BETTER SERVE CLIENTS?**

In addition to efficiencies gained, digital is also just the cost of doing business in today's wealth management sector. Clients want a variety of touchpoints, 24/7 access and the ability to self-serve. Digital is the only way to meet those demands—and can free up funds (from increased efficiency) to reinvest in the business.

## **DIGITALIZATION MAKES ADVISOR/CLIENT COLLABORATION EASIER**

No longer relegated purely to one-on-one meetings, a regular digital dialogue with the client (as well as advanced analytics to determine needs/patterns) is now possible. Frequent touchpoints, taking far less time and effort than previous less frequent meetings, provide for a new type of relationship and advice—one that is more real-time when necessary.

## **CLIENT CONNECTIVITY HAS NEVER BEEN MORE HASSLE FREE**

Social media, video, online portals and the like not only improve client connectivity, they help an advisor better determine a client's changing needs. While nothing replaces a conversation, client's spending, saving and investing habits can be more transparent more quickly to advisors utilizing digital tools—allowing a better tailored approach for individual needs.

## **A PERSONALIZED EXPERIENCE BECOMES THE NORM**

Experience-led design, from the user's perspective, enables the client to complete tasks effectively, efficiently and intuitively. And, allows each user only to see what is necessary and applicable, rather than wading through a standard stable of products and services, of which they may only require a fraction.

### **Firms could make available multiple levels of personal advice:**

- **No assigned personal advisor.**
- **An assigned virtual advisor who does not meet face-to-face with the client but is available by phone or webchat.**
- **A traditional full-service, in-person advisor.**

This flexible service model approach allows a single investment and operations model to cover an expanded range of client segments efficiently.

Regardless of a business's target or degree of flexibility, firms will likely be forced to design specific service models that align with profitability targets for each client segment. Today, many firms still utilize a full-service model for clients with revenue outside of the parameters designed for the full-service model. As competition increases and drives prices lower, firms should be more disciplined in their approach.

# SAVVY FIRST STEPS

While there is no one-size-fits all solution to reinventing and retooling your business for a changed industry, some first steps apply to most companies in order to change.

## **DEVELOP ADVICE-BASED EXPERIENCES, BUT ADD VALUE WITH YOUR ECOSYSTEM**

All competitors will offer the standard planning and advisory services, from tax and retirement to estate and insurance. But the next level in value-added services is not yet mainstream. We see loyalty and reward programs becoming more prevalent. Family education in advance of wealth transfer is another valuable service not yet as common as it should be. Some firms may also offer luxury travel and events for key client sets.

## **EXPLORE A HYBRID ADVICE MODEL, COMBINING THE BEST OF ROBO AND HUMAN ADVISORS**

Leverage digital platforms and encourage self-service in investment management at the retail level. Determine where you want your digital platform to take you—the desired outcomes—and then address how to integrate a human layer into that vision. Taking the strengths inherent in your human and machine workforces, as they merge into one, is key to plotting a course you can stay.

## **LOOK AT KEY OPPORTUNITIES TO DIGITALIZE**

Look at key opportunities to digitalize, from onboarding to branch-specific tools used by advisors. Start with the quick wins, those providing the best return on investment with digitization.

## **REORGANIZE AROUND ADVICE, NOT PRODUCTS, OPTIMIZING PRICE AND SERVICES**

Currently, the siloed departments within many wealth management firms cannibalize each other's assets. Develop a collaboration strategy to work together on existing and potential business in the market.

## **BE SURE YOUR ADVISORS REFLECT THE DIVERSITY INHERENT IN THE NEW BREED OF CUSTOMER**

We have seen firms experience success with sub-segmenting based on language and culture, ensuring their advisory team is well-schooled in the needs of particular demographics beyond the top level.

While these first steps are no magic bullet, addressing key building blocks within a broader strategy for the future will get most firms moving in the right direction. As with any course change, yours may start with a small change in direction. Or, you may decide to radically shift in more wholesale fashion. Either way, taking the big-picture view of a rapidly changing landscape is key to leading your firm into a successful—if far different—future from the one it envisioned just a short time ago.

## REFERENCES

1. J.P. Morgan—Oliver Wyman Future of European Wealth Management study, 2014
2. <http://www.cnbc.com/2015/06/30/why-this-fund-management-boss-fears-google.html>
3. <http://www.investmentnews.com/article/20150514/FREE/150519955/client-expectations-more-tech-lower-fees>
4. [https://www.accenture.com/t20150626T121140\\_\\_w\\_\\_us-en/\\_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub\\_8/Accenture-Generation-D-Europe-Investor-Survey.pdf](https://www.accenture.com/t20150626T121140__w__us-en/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_8/Accenture-Generation-D-Europe-Investor-Survey.pdf)
5. <http://www.bankinvestmentconsultant.com/news/gen-x-gen-y-represent-sweet-spot-for-retirementspecialists>
6. <http://www.cafamerica.org/generation-g-the-millennials-and-how-they-are-changing-the-art-of-giving/>
7. <https://www.entrepreneur.com/article/273191>
8. <https://hbr.org/2012/12/kiva-the-disrupter>
9. <http://blogs.wsj.com/economics/2011/09/18/new-facts-on-the-gender-gap-from-the-world-bank>
10. <http://www.morganstanley.com/articles/power-of-purse>
11. <https://corporate.morningstar.com/us/documents/MethodologyDocuments/MethodologyPapers/2014-Target-Date-Series-Research-Paper.pdf>
12. Bnymellon.com, ml.com
13. <http://time.com/money/4175098/snapchat-robo-financial-adviser-investing/>
14. <http://www.bloomberg.com/news/articles/2015-06-18/robo-advisers-to-run-2-trillion-by-2020-if-this-model-is-right>

## CONTACTS

### Kendra Thompson

Managing Director and North America Lead,  
Accenture Wealth Management  
[kendra.thompson@accenture.com](mailto:kendra.thompson@accenture.com)

With over 15 years of broker dealer and advisory industry experience, Kendra is focused on wealth management strategy. Based in Toronto, she leads Accenture Wealth Management in North America.

### Edward Blomquist

Research Manager, Accenture Wealth  
and Asset Management  
[edward.a.blomquist@accenture.com](mailto:edward.a.blomquist@accenture.com)

Ed leads the global research activities for Accenture Wealth and Asset Management within the capital markets industry. He specializes in digital wealth management and financial advisory services, including quantitative and qualitative research in the US, Europe and Asia.

Additional contributors include Brian Seay and David Cruickshank.

## ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world’s largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 384,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [www.accenture.com](http://www.accenture.com).

This report has been prepared by and is distributed by Accenture. This document is for information purposes. No part of this document may be reproduced in any manner without the written permission of Accenture. While we take precautions to ensure that the source and the information we base our judgments on is reliable, we do not represent that this information is accurate or complete and it should not be relied upon as such. It is provided with the understanding that Accenture is not acting in a fiduciary capacity. Opinions expressed herein are subject to change without notice.

Copyright © 2016 Accenture  
All rights reserved.

Accenture, its logo, and  
High Performance Delivered  
are trademarks of Accenture.