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THE FUTURE OF WEALTH MANAGEMENT 2022

Finextra

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01 INTRODUCTION

The financial services industry is at a turning point. Increased digitisation of goods and services throughout the 2010s gathered pace long before Covid-19 turned the global outlook on its head. The pandemic served only to reaffirm this shift to digital as a matter of urgency.

The wealth management sector was not spared the upheaval; however, it appears to be emerging from the crisis with an invigorated sense of progress.

The disruptive forces of digitisation and Covid-19 are now joined by a groundswell of consumer expectation. This is clearly witnessed in the soaring uptake of retail investment tools and applications, greater access to financial instruments and widespread revolt against the traditional inaccessibility of financial services.

Retail trading platforms like the infamous Robinhood app have equipped retail investors with the tools to not only participate but to influence a world once strictly the realm of the rich and powerful.

Cryptocurrency and the global interest in decentralised finance (DeFi) can equally be seen as the attempt to wrest control from traditional financial gatekeepers, forcing regulators and leading financial institutions to go back to fundamentals and re-define what assets and money itself should look like in this new digital world.

Incumbents and digital challengers alike, desperate to ensure relevance and remain competitive in these new markets, are designing and delivering new products at record levels. Digital wealth management platforms and applications are gaining immense traction with increasingly savvy users, and financial institutions are focused on partnering or acquiring firms with the technological capability to attract and retain these motivated retail investors.

Hybrid advice, hyper-personalisation, and holistic services are seen as vital attributes of successful digital wealth management services like MoneyBox, MoneyFarm and Wealthify, with financial wellness as their ultimate goal. Yet, their benefits extend well beyond financial wellness. Artificial intelligence, behavioural finance and data analytics also work to reset bias or systemic exclusion which have historically been prevalent in the sector.

This report, the Future of Wealth Management 2021 with interviews from Accenture, Coutts, Hargreaves Lansdown, Nutmeg, Oxford Risk, Tilney Smith & Williamson, and UBS Global Wealth Management will explore the forces currently shaping the industry. It will examine not only what these forces are, but how and why they form the structural foundation for a sector which is at the very beginning of its digital renaissance.

02

WINDS OF CHANGE: THE DISRUPTIVE FORCES SHAPING WEALTH MANAGEMENT

Over the past 20 years, one of the single biggest disrupters faced by the wealth management industry has been Covid-19, according to Christopher Low, managing director, head of wealth and asset management UK & Ireland, Accenture.

“The arrival of Covid-19 made wealth managers change the way they communicate with clients instantly. The traditional face-to-face meetings often carried out in offices or homes stopped overnight, and relationship managers and advisors had to embrace the digital world.”

This shift marks a significant reset for a very traditional sector, and Low argues that embracing the digital world has led to paper-post’s virtual eradication, and the widespread acceptance of online document sharing.

Kat Mann, savings and investment specialist at Nutmeg, explains that there was a distinct shift in late 2020 by users seeking to use the application in a hybrid manner. She notes that people really began to see the value in accessing digital services rather than face-to-face because of its pure convenience.

“If you arrive at a face-to-face meeting without a crucial document with you, you can’t just pause the meeting, rifle through your files, and return to the meeting when it suits you.”

“Both technology and the willingness of users to use these new technologies has evolved significantly over the last 18 months. In that light, I don’t think of it so much as a disruption which can have negative connotations. It’s less of an unsettling disruption, and more of a ‘how do we adopt those principles that we really want in a way that works for our clients, our business, and at the right speed for the sector?’”

Greg Kyle-Langley, executive director, head of entrepreneurs proposition at Coutts, believes that the willingness to self-serve has also presented a step-change in the industry. The launch of Coutts Invest in 2016 (to later become NatWest Investor), was initially intended for clients to support their ISA allowances and make small investments, however, Kyle-Langley explains that clients have become far more confident making substantial allocations through this purely digital portal – particularly during the pandemic.

This has been reinforced by a change in the industry which is working with clients through the provision of ‘guidance’ rather than ‘advice’. He notes that there are generally three levels of interaction wealth managers have with the client; execution only, full advice, and guidance, where clients might ask for what options are available to them in line with the amount and appetite they may have, before making the final investment decision themselves.

“I think there is a trend beginning where wealth managers using a platform provide comprehensive advice, it might be more expensive, it might be something we only do with our larger clients. But if you need it then it's there. However, we can quite easily sit alongside you and walk through some of the options you can see on your screen, ensure that you understand everything, and you decide the investment option you prefer."

Kyle-Langley believes this uptake in a self-service style of investment has emerged because of the rise of providers like Nutmeg, Moneybox and Moneyfarm. Coutts has found that these services present a new way to serve their clients and work towards addressing what’s known as the ‘advice gap’, where the cost of financial advice became prohibitively high.

“If you were investing smaller amounts of money, (in high-net-worth wealth management terms), it was challenging to get other forms of advice aside from the ‘execution only’ offering. It gave us the opportunity to design a way for clients to invest while allowing them to take that decision into their own hands with online education and without us covering the cost of providing the traditional full set of advice.”

Regulating a shifting industry

Mann observes that the UK is in a unique position given how forward-thinking the FCA tends to be when it comes to innovation and technology. Initiatives such as the FCA’s regulatory sandbox demonstrate that while regulation still tends to move more slowly than innovation, the regulator is working toward supporting developments.

“I think the UK fintech sector is, by and large, very aware of regulatory requirements, embracing those regulatory requirements, and also acknowledging the responsibility that comes with these new technologies,” states Mann.

“The sector tends to think, ‘we've got a very forward-thinking regulator, we've got regulation that we can work with, we've got an environment that encourages us to be innovative in the interests of consumers - let's do it well so that the environment doesn't change to become less welcoming of innovation’.”

Low notes that sustainability has proven to be a significant factor for wealth management, particularly in light of how technology is increasingly able to deliver ESG data that augments decision making in a discretionary portfolio, and how it can be used to better understand the specifics of the customers they're trying to serve.

"I think a lot of fintechs which are innovating in the sustainability space are looking at how they can answer both the demands of the regulator alongside adding value to the end investor."

Rather than specifically seeking out sustainable investment strategies, Kyle-Langley explains that Coutts clients tend to view ESG crafted products and investments as important, but they are also concerned about returns.

"We know that clients are passionate about ESG issues - particularly climate. We recently surveyed some clients and found 90%+ say that they are concerned about climate change, and have been making changes to their lifestyle as a result. But when it comes to investing, they naturally want to ensure they are getting good returns. Most are looking for a mutual benefit - doing well while doing good."

"Thankfully we can show them quite clearly that responsible investing often leads to enhanced returns because of factors like stronger governance in businesses that run their operations with climate and society in mind. The client whose first words to us are 'I'd like an ethical investment portfolio' remain in the minority, but the investment industry is helping lead the way here so that clients can receive great returns while keeping ESG at the forefront."

The situation is slightly different for retail investors according to Mann, who have now come to the realisation that you don't need hundreds of thousands of pounds to begin investing. "Until recently, the term 'wealth management' meant that in order to manage wealth - you first had to have it. With the help of the younger generation, UK consumers are getting better at learning about investing, developing good financial habits and building a financial strategy."

Mann furthers that part of this increased engagement with finances by retail investors is, for instance, due to the sheer cost of climbing on to the property ladder. The wider adoption of fintech products means that retail investors can manage their finances on their own terms and have a much broader range of providers to assist.

"I think this why we've seen a much faster adoption of socially responsible investing among retail investors; because there's much greater demand, awareness, and tools available. Pension calculators, for example, mean people can have a clearer picture about how they need to be saving if they wish to retire at 55. If they need more assistance with how to achieve this goal, they then have the information and services available to seek out advice."

Democratisation of investing

Changing demographics and the emergence of a strong retail market for investors means that digital access is no longer defined by age or wealth strata, and this is impacting the industry's approach to delivering wealth management solutions.

Low believes this is prompting wealth managers to look much more closely at the digital tools they use when interacting with customers. Gamification, for instance, means investors can carry out scenario testing on their portfolio and view a range of ideas on screen at any one time, allowing for better collaboration with their advisors.

"The way teams are going to collaborate is becoming very different. Online collaboration tools and the way these teams work, will inject a bit more innovative culture within wealth management institutions, how they think about kind of problem statements, how they think about the way they do business today, and how they want to do business in the future."

Low adds that a number of organisations are also driving robo-advice services in efforts to improve automation and more effective storage and use of data.

For example, firms are attempting to build a more complete picture and record of their clients, to avoid having to ask them for the same information multiple times, as well as better serving them and their overall needs.

"A lot of the way technology is being used for core hygiene factors is also being pushed into their investment decisions. However, a lot of clients, still want that high-touch gloss at the end of the process to give them the comfort that their money is going into the right place. Looking at the likes of Nutmeg, or Vanguard at the other end of the spectrum – they're launching various robo-advice tools and are proving to be very, very, popular."

Importantly, Low elaborates, there is momentum building toward entering different communities to ensure that information, opportunities, and of course financial tools are available so that mass-democratisation of financial services is prioritised.

“A challenge for wealth managers is how they relate to different age groups and demographics. Typically, consumers buy from people they trust. Wealth managers are currently asking themselves; how do I relate to different customer types? How do I instil trust, and make sure our beliefs are actually aligned?”

On financial literacy, Low argues that financial education needs to be higher on the agenda. Firms are increasingly trying to act on this, and just by looking at the purpose and mantra of organisations’ websites he believes you can see this objective to educate beginning to come through.

“It’s around the goal of how to democratise financial services, how to embed yourself within society for good. There's a wind of change coming, and organisations are desperate to position themselves in the heart of society – can only be a good thing.”

Kyle-Langley adds that increased public interest in investing throughout 2020, with the memestocks and rise of awareness of cryptocurrencies, has been interesting for wealth management.

Noting that while most large asset managers are not yet comfortable with holding crypto as part of their asset allocation, it is proving to be of significant interest for high-net-worth investors. Its volatility, the related security risks, and its “horrible carbon footprint” presents a clash for financial institutions, particularly during the onboarding stage where transparency around clients’ wealth which may have been built through crypto needs to be understood.

Overall, his impression is that the increased interest in investing should be positive for people who would previously have only considered cash savings, and had little insight to their finances. “Yes, things might be volatile, but as long as you’re investing over a longer period it does start to make sense. Cash is not this safe place to keep your money over time. An important element for all investors – retail and high-net-worth – is that the proliferation of these tools means that people are thinking in greater detail about their money. Through tools like Yolt and other API enabled aggregators, people have access to expenditure analysis like never before.”

“Understanding their expenditure makes people feel they have more control over their money and makes them feel more comfortable about the idea of planning, saving, and investing.”

The availability of these tools has also led to a better client experience. Rather than seeing spreadsheet after spreadsheet from wealth managers, the expectation that advice and information is more easily accessible has meant that managers are serving their clients much more digestible analysis on a 24/7 basis.

Learning from the innovators

With this type of consumer evolution comes the need to build and deploy innovative solutions. Traditional wealth managers are looking to the prowess of younger, agile, typically digital players as potential partners in order to remain competitive.

Fintech excels against traditional wealth managers in many aspects of the sector. The first differentiator, Kyle-Langley argues, is user experience. “Quality of their user experience is so important because most are only providing a digital offering. It therefore has to be stellar. It tends to feel slicker, it’s very focused on clear, narrow customer journeys in ways that are not really an option for the more traditional banks and wealth management firms.”

On top of this, he adds that the processes of fintechs just tend to work better: “Onboarding for instance, where it can take a number of days in a traditional bank, AML processes can be completed in just a few hours by these young players. They have a much more limited offering for customers, but it means that they can be hyper efficient.”

Low raises a similar point, citing legacy technology systems and the difficulty in overhauling technology due to sheer size and scale for incumbent institutions.

“Many digital banks and fintechs aren’t encumbered by that financial technology debt. They are also young, and were founded with a very clear purpose which they can instil in every element of their business offering.” Accenture itself runs FinTech Innovation Labs not only to try and support embryonic firms, but to target startups with the potential to assist Accenture’s clients now and in the future.

“Some organisations do this better than others, but increasingly larger wealth and asset managers are nurturing fintechs in a similar way to Accenture. There are a lot of fintechs working on solutions to address the industry’s biggest questions, and wealth managers are using those organisations and working alongside them to develop some of their propositions, and implement them in core parts of their organisation. I see more fintechs partnering with wealth managers, where a few years ago, it might have been considered too risky a move.”

03 HYBRID ADVICE, HYPER-PERSONALISATION, AND HOLISTIC SERVICES

Hyper-personalisation has always been an important aspect of wealth management. Clients would meet with their wealth managers over coffee or dinner to discuss a personalised print-out of their investments. This style of doing things didn’t seem to be receiving much disruption until the pandemic forced these interactions online.

However, as there has been a greater move towards a more online and automated perspective, this style of management is forced to change. Robo-advisors are increasingly offered to clients, and in some cases are used exclusively by clients for self-service advice. However, it is often better for both the client and the wealth manager to have some kind of personal relationship. Wealth managers are consider the need to adapt to a more hybrid style of advice.

Hybrid advice in a remote world

Robo-advisors seem like the way forward. They can offer cost lowering advantages, and the ability to take on a lower payment scale client who they might not otherwise have access to. However, for many clients a large part of their confidence in their investments comes from a personal relationship. It is likely that the pandemic has fast forwarded the digitalisation of this relationship, creating a challenge for wealth managers in balancing the benefits of both worlds.

Kyle Langley observes that, “lots of clients want to be able to check their investment portfolio at midnight, when they've finished work and they're just about to go to bed.” Thus, preferring the use of robo-advisors and online platforms.

Mann comments on the uptake in use stating, “even as recently as two years ago there was cynicism and scepticism over whether there was ever going to be a demand for digital wealth management services. Yet we've seen that shift accelerate in the last few years, as we've all been forced to go digital. Then it became a case of, digital isn't a nice-to-have extra, it's an essential 'we need to have it'."

From the perspective of Nutmeg, Mann notes that the aim of creating services like theirs was to improve financial inclusion in this area. "The business was started by people who worked in the investment and wealth management sector and thought this is great, but it should be available for everybody."

Kyle-Langley notes the 'advice gap' which robo services fill, "it's a way for us to serve a gap for our clients, whereby it suddenly became quite expensive to pay for advice for smaller investment amounts. It gave us the opportunity to design a way to get people invested in a sensible selection of options for them to consider, allowing them to take the right decision on their own with the right education online."

However, Mann notes that robo-advice alone will not take over the industry. "There will always be people and circumstances in your life where you'd rather speak to a person and you want that reassurance of speaking to a person." Further adding, "being personable and knowing your clients can be equally as true of a digital provider as it can a traditional provider."

Kyle-Langley comments that in part, "the personal element is giving clients a range of channels so they can decide how they interact with us. The quarterly face-to-face meetings with lots of printouts to discuss, start to look a bit silly in a more video-enabled communications world. Clients are perfectly happy to have those regular check-ins remotely."

A hybrid approach to robo-advice seems to be the way forward, using both robo-advisors and in person meeting, although less that before. This is especially when considering the changing demographics of clients, Danny Cox, head of external Relations at Hargreaves Lansdown observes, "the younger investor is far more likely to want to use mobile app, than to have a face to face meeting with an advisor. So that's where the real differences is, that the older generations tend to favour personal relationships more than the younger investor."

Kyle-Langley raises concerns around how easier access to regular performance information through robo-advice was initially thought to affect investment behaviour, "as an industry I think there was some concern that if people are checking the value of their portfolio everyday, they may make poor decisions during periods of volatility. But I don't think that's something we have now seen in actuality."

When asked about whether there was a move towards hyper-personalisation, Kyle Langley commented, "To me, hyper personalisation is what private banking wealth management used to be like; serving every client in a different way with many different, complicated options. We know some of the slickest new fintech offerings are all about simplicity - so I don't think endless bespoke solutions is always the best answer." However, he did note that there is a greater willingness to self-serve.”

Juxtaposed to this, Mann notes, “we're so used to seeing personalisation in other aspects of our life, sometimes in a way that we might find almost intrusive but also useful. And I think if you're used to seeing that sort of personalisation in other aspects of your life, it then leads to the question: why not when it comes to my money?"

Outcome based portfolios

When asked out a potential move to more outcome-based portfolios, rather than a more traditional product-based approach, Mann commented that she didn’t see them as, “much as I think we would like there to be.” Additionally, Kyle-Langley commented that he hadn’t really seen this more “pot-based” approach amongst high-net-worths.

Kyle-Langley observed that his clients, potentially because of their greater wealth, did not tend to take a pot-based approach to their investments. He commented that although aspects of investing are changing, the general idea from clients is still, “I've got this money, I'd like to invest it over the longer term, I might need to take some out at some point in the future - but it's not all thought of in goals-based pots."

However, Mann does note that one place where they have seen more of a focus on outcome-based investments is in the ESG space. Further adding that, “the conversation has moved on, albeit not as much as I would have thought. The idea that socially responsible investing (or ethical or green investing) are doing well, but probably not going to get good returns - is outdated. We've moved on to a place where the returns are pretty much parallel, and in some cases outperform. Interestingly, this is not an outcome for the individual, but a social outcome.”

This is a trend also noted by Cox. While he does note that the sharp rise in ESG investments, this is only in part because of a low beginning point. However, he does add that this shift could be in part to personalised advice, “when you're actually advising somebody on a personal basis is much more likely that ESG is going to be become more prominent.”

Contrasting this, Kyle-Langley observes that his clients view a sustainable leaning in their investment to be a pleasant additional outcome, commenting, “it's generally that clients are pleased to learn that our approach to investing is all sustainable and that feels like that's a nice thing to know about it, rather than something which is specifically requested.”

Financial wellness

When asked whether an emerging holistic approach to wealth management has led to greater concerns and attention being given to client financial wellness, Mann commented that “even if wealth managers haven't been thinking about general financial wellness, the impact of the pandemic on lifestyles, means clients definitely have been. For us at Nutmeg, we definitely have.”

Mann notes how the pandemic has changed the situation of some investors. "We had clients who who have previously had quite a good buffer, but they've been self-employed, and suddenly their business ceased overnight. So, then they were dipping into that fund. One of the things that was very interesting was they then came back and said, ‘now I just need to make sure it's built again’.”

Additionally, Mann noted that “one of the things that we've definitely seen as a result of the pandemic is people are less afraid to talk about their finances.” This included the concept of financial resilience, which she noted more clients had a greater emphasis for.

Mann commented that at Nutmeg they, “really encourage people to give their investments a goal, whether this is your pot that's going to buy your holiday home or it's going to allow you to retire early, whatever it is.”

Some of the data collected through robo-advice may aid in the focus of clients’ financial health. Mann notes, “if you have an investment pot, for example, but it's around maybe a child, or university fees, then you start to see that that pot getting drawn down and then you're in a place where you're thinking okay, this possibly means these people now have children of an age that are going to university because they're starting to use it: what might be useful for them to know? And how can you start to look at that?”

Kyle-Langley did note a customer led concern for financial wellness, as noted by Mann above, stating, “Now you can just link an app to your bank accounts and really easily see how you're doing versus the prior month. And so, I think understanding their expenditure makes people feel they have more control over their money and makes them feel more comfortable about the idea of planning, saving and investing.”

However, while Kyle-Langley claimed to have not seen a focus on financial wellness in a “pot-based” form, he did raise concerns over whether digital and robo-advice might lead clients to take their own financial wellness into consideration less. He stated, “I wonder whether this is something that is at risk from the trend toward self-serving guidance. A strength of face-to-face advice is that having someone to challenge you, and help you think through the unexpected events to plan for. If you don't have that conversation and you invest, online or self-guided, providers should be careful that the customer journey through whatever solution, finds a way to challenge clients and gets them thinking. That role of wealth manager as sparring partner is important and valuable. That's got to be thought of carefully, in my view, when it comes to robo advice offerings."

04

BENEFITS OF INNOVATION AND DIGITISATION

Traditional and established wealth management operating models are increasingly under existential threat. Today's investors do not want quarterly paper statements. They want instant access to their portfolios, a clear view of performance data, and real-time updates on what their investments are worth. All of this can be achieved through digitisation – the benefits of which extend beyond meeting client demand.

Here are five key benefits of innovation and digitisation in wealth management:

1. Efficiency and cost effectiveness

With competition rising from lean start-up firms, cutting-edge technology offers established wealth management firms the ability to further streamline processes.

"Digitisation within wealth management has the potential to make advisors more efficient, more effective, and less prone to the sorts of errors and biases that we, as humans, typically display," said Greg Davies, head of behavioural science, Oxford Risk.

Artificial intelligence (AI), for instance, can be used by financial advisors to aggregate multiple pieces of unstructured data into a single digital platform, and closely monitor risks and exposure. This is especially useful for large firms managing sizeable portfolios – often resulting in a considerable reduction in time and costs.

"AI encompasses a spectrum of capabilities, from robotic process automation (RPA) to advanced machine learning (ML)," said Mayank Prakash, chief operating officer, Tilney Smith & Williamson. "We integrate AI throughout our operating model to improve operating efficiency, provide near real-time functions, detect anomalies and underlying trends as opportunities."

2. A consistent service

When working with AI tools, the inevitable emotional element of investing is also removed – meaning financial advice is not based on instinct or prejudice. This serves to reduce decision noise in wealth management.

Research conducted by Oxford Risk, for example, has revealed that "the same client often receives disparate financial advice, depending on which firm they approach, or which advisor they see," explained Davies. "Driving consistency in this area is about providing advisors with tools and technologies that can do the necessary number crunching; keep track of all the moving parts; as well as generate an audit trail."

The most significant emotional response when it comes to investment is uncertainty and apprehension, added Prakash. To combat this, Tilney Smith & Williamson "provides clients with interactive graphical visualisations of their portfolio data – such as charts, tables and projections – which they can explore to understand otherwise complex trends." This gives clients confidence and clarity around the investment decisions they are making.

3. Dynamic advice

If firms want to put in front of clients solutions that are tailored to their preferences and values, at scale – while avoiding laborious manual processes – technological tools that increase accuracy of profiling are critical.

Oxford Risk's tools, for instance, fall into three categories. The first is for behavioural profiling and interpreting clients' risk tolerance and financial personality. Supporting this tool are a sophisticated set of psychometric statistical techniques, which compile personality scales based on a dynamic set of questions.

The second category is around matching: gathering all the information available on a client and – combining the client's risk capacity with a measure of their risk tolerance – establishing the suitable risk level. "This is then mapped onto quantitative risk boundaries, which reveal what the asset allocations or suitable portfolios should be," Davies explained.

The third category is around helping deliver these findings to clients in a way that makes them feel comfortable in their new investment journey or transition. "Oxford Risk's guidance tool, for example, has 15 to 20 different behavioural techniques that advisers can use to encourage people to feel comfortable about deploying surplus cash," Davies said.

Tilney Smith & Williamson also uses software tools and behavioural science to dynamically respond to customers' risk profiles: "We use a combination of client data, internal analytics and third-party live data feeds to make near real-time decisions which are in our clients' best interests and within our risk thresholds," Prakash said.

4. Customer satisfaction

Since the needs of today's clients are polylithic, treating them in an undifferentiated manner – and without bespoke tools or standardised frameworks – is unlikely to engender high levels of customer satisfaction.

For the Union Bank of Switzerland (UBS) and its wealth management business, customer service is critical: "Our approach to digitalisation in wealth management is a hybrid one – we aim to create tools that support our client advisors in providing the best possible solutions for customers," said Patrick Steiner, head of F2B digitalisation, UBS Global Wealth Management. "We enable our client advisors digitally so they can build new and better relationships with clients. Automation and digitisation allow them to focus on the relationship itself and providing advice."

Digitisation can also improve transparency around costs and fees associated with financial advice – further driving customer satisfaction levels. "This needs to be done better across the industry," argued Prakash. "Clients often do not realise that headline fees do not represent the total cost, with other fees up and down the investment stack. We are totally transparent with our colleagues and clients about these fees and make them available in clear, understandable tables."

5. Responsible investing made easy

Achieving high levels of customer satisfaction, however, is increasingly about giving clients more visibility around where their money is being invested. Once again, digitisation plays a significant role in this mission.

"Technology gives clients more choice around how their investments are deployed," said Prakash. "Environmental sustainability, social value and ethics are increasingly important to the new generation of investors as, in addition to achieving growth, they want to invest in good causes which make a difference to their communities and the world."

Davies agrees that robust, digital wealth management tools are key to supporting sustainable investment: “Today, many advisor firms do not know how to separate ESG questionnaire tools that are built on deep foundations, from the ones that are peddled alongside a standard technology offering.” Going forward, it will be important for advisers to ensure their tools accurately measure preferences and are built on data from thousands of individuals. This is the key to optimal client satisfaction.

05

CONCLUSION

The true extent of Covid-19's impact on the wealth management industry remains to be seen. However, it has been confirmed that organisations already embracing digital transformation will flourish, especially as we, as a society, move gradually out of an analogue world and into one that is hyper-personalised.

While customers expect closer relationships with their wealth managers, they are still seeking guidance and advice. Transparency of available options and education around what these choices mean is crucial. This is a feature that traditional financial institutions need to start offering to keep pace with more nimble fintech startups, which are addressing this ‘advice gap’ via efficient user experiences.

Anecdotally resistant towards innovation, regulators are in fact supportive of these developments as this transformation is ultimately in the customer’s interests. Alongside this, wealth management firms are also considering innovation in sustainability and attempting to add value to the end investor through outcome-based investments.

For the end customer to experience this uplift, companies also need to look internally and shift the way in which they work. Robo-advice, while benefitting the tech-savvy customer, is one method in which wealth managers are improving automation and data storage within their organisation. This will become increasingly important in the future when firms will have to consider cryptocurrencies as part of asset allocations.

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ABOUT FINEXTRA RESEARCH

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