Building the Modern Wealth Management Firm: Diverse, Dynamic and Digital

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Contents

Are Advisors Really Doing Something About Diversity?

The road to real change in advisory firms calls for a full-court commitment. A small number of RIAs are moving past lip service.

After the killing of George Floyd last summer set off protests across the country about police treatment of Blacks and systemic racism, Brent Kessel posted a heartfelt message about his firm's support of the demonstrations. But, even though it had started working on racial diversity issues two years before, he knew he had to do more.

"I stepped in to take over leadership of our strategy," says Kessel, who is CEO of Abacus Wealth Partners, a Los Angeles–based firm with $3.6 billion in assets. "Rather than just checking some boxes, we wanted to operationalize diversity, equity and inclusion into every aspect of the firm." Still a work in progress, that's included everything from seeking out Black and Latinx interns to hiring a consultant to study employees' implicit biases.

Abacus, of course, was not the only advisory firm to support the protests publicly. But it's also one of a much smaller number of RIAs and independent advisories to move past lip service and put their money where their mouth is—embracing concrete programs and initiatives aimed at addressing the lack of diversity at their firms and the industry as whole. Although the number of Black and Latinx CFP professionals increased 12% in 2019, the combined total still is less than 4% of the industry, according to the Center for Financial Planning.

Abacus Wealth Partners got rid of bonuses it paid to employees for referring friends as possible new hires.

"We realized it meant we were just sourcing from our own network, not forcing us to seek out people from different backgrounds"

- Brent Kessel, founder and CEO, Abacus Wealth

“This doesn’t require a Band-Aid solution”

— Lazetta Rainey Braxton, chair of the board, Association of African American Financial Advisor; co-CEO, 2050 Wealth Partners

“We’ve known about the numbers for a while, but last summer brought about more people expressing the need to make some changes,” says Christopher Woods, who runs LifePoint Financial Group in Alexandria, Va., and is chair of the Financial Planning Association’s Diversity and Inclusion committee.

Anecdotally, advisors say they’ve seen an increase in the number of advisors unsure of how to get started and looking for help. For example, over the summer, some members reached out to Woods, as the host of the FPA’s African American Knowledge Circle, about how to step up activities. The number was “single digits,” but “until last summer, I didn’t get any inquiries at all,” he says.

According to Lazetta Rainey Braxton, chair of the board of the Association of African American Financial Advisors, and co-CEO of Lanham, Md.–based 2050 Wealth Partners, she’s been contacted by a great many advisors seeking counsel about first steps.

“They don’t know where to start,” she says. “They’ve had limited exposure to Black culture and Black organizations.”

Since the summer, she’s helped a handful of firms conduct what she calls “cultural audits.” Other firms hire outside consultants specializing in diversity, equity and inclusion matters to assess their operations.

The road to real change in advisory firms calls for a full-court commitment.

Recruiting

For most firms, hiring a diverse workforce means more than bringing on board a token recruit. Take Angeles Investments, a Los Angeles–based firm with over $30 billion in assets under advisement. After the protests, the firm held two three-hour "bias training" sessions for all interested employees. Those meetings produced multiple insights, including the need to change how resumes were screened. "People have a natural tendency to want to work with people similar to them," says Chaunice Wilks, director of investor relations and marketing at Angeles. To that end, among other steps, they developed a process through which names of applicants are removed from resumes. Other firms have eliminated the option for interviewers to see applicants' photos on LinkedIn.

For its part, Abacus also changed how it scouts for new candidates. For example, the firm got rid of bonuses it paid to employees for referring friends as possible new hires.

"We realized it meant we were just sourcing from our own network, not forcing us to seek out people from different backgrounds," says Kessel.

It also started looking for applicants through outside groups, like the CFP Board Center for Financial Planning's one-year-old candidate referral program, which focuses on women and people of color looking for jobs with financial advisory firms. And for some positions, like client service jobs, that don't legally or functionally require a bachelor's degree, it eliminated that requirement.

Then there's the matter of rethinking where to find interns: seeking out candidates at historically Black colleges and universities (HBCUs) and community colleges, instead of going to the usual suspects. Lisa Kirchenbauer, president of Omega Wealth Management, an Arlington, Va., firm with $167 million in assets, decided to post positions at Howard University.

She's also working with some HBCU programs to help students in financial planning and finance programs with interview and resume writing skills. "If we keep looking at the same places for our internship candidates, we'll never increase the representation in the industry," says Kirchenbauer, who is a member of the FPA board and serves on the Diversity and Inclusion committee.

Some groups and advisors also introduced new internships after the protests. Take the BLatinX Internship Program (BLX). Recently founded by four financial planners, working with the National Association of Personal Financial Advisors, the program aims to place at least 100 aspiring Black and Latinx planners in internships by next summer.

Culture and Career Paths

Recruiting is only part of the battle. Retention and promotion are another piece. "Just hiring someone doesn't solve the issue," says Kamila McDonnough, president of GRID 202, a Black- and women-owned RIA in Washington, D.C., launched in 2018 with about $10 million in assets, and chair-elect of the CFP Board. "Do you have the right culture for Black advisors to be successful? If the person is unhappy and leaves, then you're back to square one again."

In fact, according to some advisors, Blacks, and especially Black women, are often pigeonholed in administrative and operations jobs, even if they're overqualified.

"They might have been hired, but it wasn't a welcoming place," says Kirchenbauer. About five years ago, she introduced a written career path for every role, in large part to make it clear to staff that, she says, "There are no differences in compensation based on gender or color. I'm very transparent with my team about pay."

Other actions target the financial disadvantages faced by many Black employees. Abacus, for example, now pays staff members up to $10,000 to help them become CFPs or take the Series 65 and other exams.

At Sendero, a San Antonio, Texas, firm with about $4 billion in assets, CEO Elizabeth Crawford and her colleagues are introducing what she calls a new "partner track," already in the works for a year or so, that includes talking to advisors with partner potential well ahead of time. Then they'll first become "income partners," so they can make plans for buying a stake in the company. The firm also will help with financing.

"If we keep looking at the same places for our internship candidates, we'll never increase the representation in the industry."

— Lisa Kirchenbauer, president, Omega Wealth Management

"If you're a first generation professional and nobody's ever talked to you about becoming a partner and what that means, they may not even know you have to write a check," says Crawford. "We want to help people become partners, not hinder them."

> “Just hiring someone doesn’t solve the issue.”
>
> — *Kamila McDonnough, president, GRID 202*

Full Throttle

The road to real change in advisory firms calls for a full-court commitment, according to diversity experts.

“This doesn’t require a Band-Aid solution,” says Braxton. “The question is are they going to put in the resources for real action.”

That’s why, in late summer, Angeles formed a nine-person committee, composed of a firm co-founder and representatives of different areas in the firm, not just human resources, and committed to take measurable actions.

Over the summer, Seattle-based Brighton Jones, with $8.5 billion in assets, formed a 10-year-plan with six prongs, like setting out a clearly articulated business case and providing regular reporting of outcomes. “We wanted to make sure we had a lasting impact,” says April Kyrkos, vice president of operations. “We wanted to make sure we bake this into our processes.”

Is Your Firm a Learning Organization?

By Walter K. Booker, Chief Operating Officer of MarketCounsel

Intentional learning isn't some new touchy-feely leadership fad.

What impact will the fintech revolution have on your firm, and what are you doing about it right now? Are you surfing the wave of innovative new technologies or will you be buried under it?

Yeah, I know, you have a firm to run, so you don't have much time for such weighty, ethereal questions, right? Well the research suggests otherwise: by choosing not to be thoughtful and proactive about this and other challenges that your organization will certainly face, you imperil its future. That's not my opinion, it's the conclusion of the World Economic Forum (WEF), which predicts (in the words of its partner organization, BCG) that:

"By 2030, the nature and quality of work will be irrevocably altered. How? That depends on the rate of technological change, the evolution of learning and the mobility of talent."

These secular trends advance powerfully and disruptively, so the choice is ours as to whether we want to be enabled by this progress or victimized by it.

No, you don't need to drop everything, have a firmwide retreat and develop your strategic plan by month-end. But you do need to begin investing a modest amount of your time, individually and collectively, in developing yourselves to be able to engage in this work. In other words, today, you need to start by learning how to learn.

As a part of its consulting work, McKinsey has been studying this issue for years and recently published a report that identified "the most fundamental skill": "Intentional learning."

Its authors noted:

> *Learning itself is a skill. Unlocking the mindsets and skills to develop it can boost personal and professional lives and deliver a competitive advantage.*

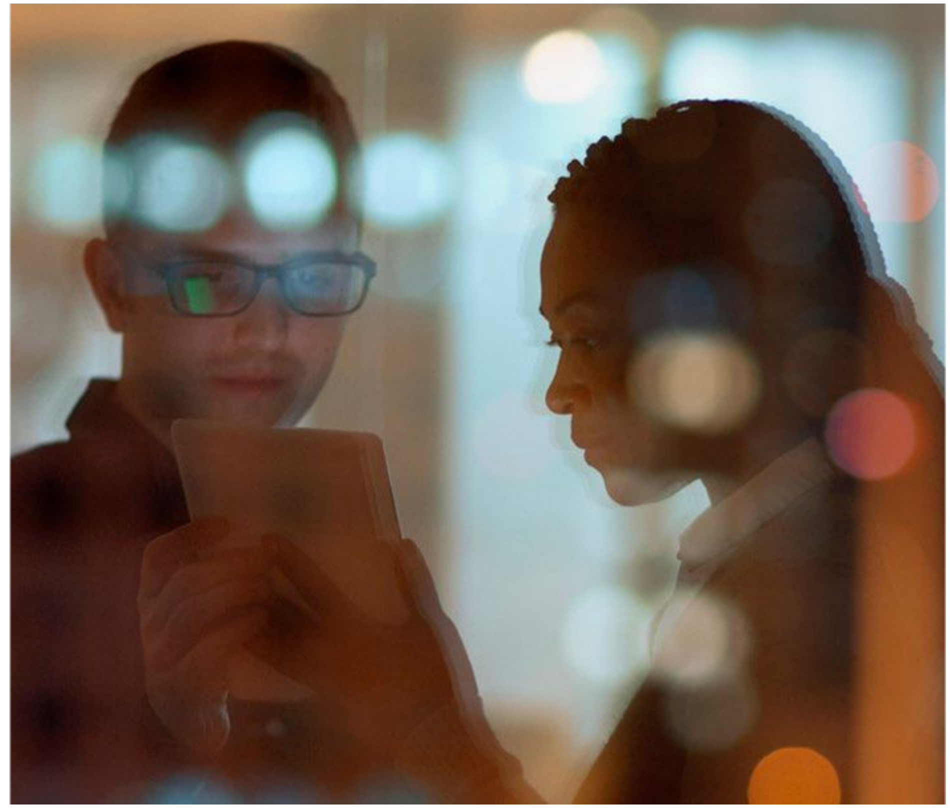
Ultimately, the goal of this endeavor is to address the reality that "so few adults have been trained in the core skills and mindsets of effective learners" by helping organizations to lead their people to "master these mindsets and skills (of) what we call intentional learners."

Framed in an organizational context, the goal is to ignite the fire of lifelong learning in each of your colleagues so that, collectively, your firm demonstrates two key mindsets: those of growth and curiosity. The former will help your organization "grow, expand, evolve, and change" proactively, while the latter, which McKinsey describes as "the engine of intentional learning," will help you overcome your fears and seek out novel experiences ideas while enabling you to focus on what you love so that your full creativity can be brought to bear on behalf of your business.

Does this mean that you're guaranteed to develop the 'right' answers? No. But it does mean that you'll be better able to address whatever realities present themselves and, most importantly, to have the progressive habit of thought and behavior to engage with them proactively, which also means that you'll differentiate your firm competitively because of its prescience and resilience.

In this spirit, then, let's parse a couple of associated opportunities:

> What are some developments on the fintech front that you expect to impact your firm and how you serve clients in the years ahead? Are there tasks and processes that you perform at present that're likely to be automated ... or could even be automated now? Perhaps you could brainstorm with your team to develop a short list of opportunities to embrace automation proactively, thereby freeing up time and energy for yourself and your colleagues to reinvest more productively in the service of your clients.



Addressing this potential leap forward could be as simple as offering the opportunity to participate in a small, ad hoc 'skunkworks' committee of colleagues who'll invest an hour or two a week over the next month or two to research the possibilities. Not only will this give senior leaders of your organization the opportunity to interact meaningfully with typically younger, more tech savvy colleagues (which is, in effect, a reverse mentoring opportunity), but it'll offer an important developmental challenge to those who choose to participate. In so doing, I suspect that not only will you develop a greater appreciation for the breadth and depth of talent in your organization, but also forge stronger collaborative bonds that will inure to your individual and collective benefit.

An associated opportunity is to identify the higher value-added activities into which you'd like to reinvest the time freed up by the proactive embrace of automation. If what the research says is true and it begins to affect your firm, what should you lead your colleagues to do differently to add greater value to and strengthen your client relationships?

Another way to think of this is as a "job crafting" opportunity: in what ways could you restructure your colleagues' roles and responsibilities to enable and encourage them in "pursuing excellence in service to others" while helping them to "adapt their jobs to suit that purpose," thereby "enhanc(ing) their assigned work to be more meaningful to themselves and to those they serve"? In this way, you could lead them to "[create] the work they wanted to do out of the work they'd been assigned – work they found meaningful and worthwhile."

As author John Coleman points out in the title of a recent article, "To Find Meaning in Your Work, Change How You Think About It" by proactively creating occasions to catalyze your and your colleagues' growth and creative mindsets. In so doing, you'll innovate in ways that accrue to your firm's and your clients' benefit.

This 'evolution revolution' of your firm starts with a commitment to intentional learning. Cultivate this in yourself to lead by example while engaging your colleagues in doing so as well. Over time, not only will you create a better Client Experience that differentiates you ever more powerfully and positively in the marketplace, but you'll also meaningfully enhance your people's and firm's productivity and profitability, all while securing your and their future and enjoying the journey immeasurably more. Intentional learning isn't some new touchy-feely leadership fad. It's the secret to maximizing your firm's and your people's potential while reinforcing its sustainability for the long term.

Framed in an organizational context, the goal is to ignite the fire of lifelong learning in each of your colleagues so that, collectively, your firm demonstrates two key mindsets: those of growth and curiosity.

Walter K. Booker is the chief operating officer of MarketCounsel, a business and regulatory compliance consultancy for investment advisors.

Three Truths Turning the Financial Advice Industry on its Head

By Ryan George, Chief Marketing Officer, Docupace

"Truth is a remarkable thing. We cannot miss knowing some of it. But we cannot know it entirely." – Aristotle

These are precarious times for truth. Misinformation, digital tools, slippery politicians, poor fact-checking, "free speech" platforms and countless other forces have led an all-out attack on truth. However, as Aristotle once said "truth is a remarkable thing" – it persists.

For the investment and financial advice industry, several hard truths can no longer be ignored and are poised to flip an old-fashioned industry on its head.

Three Advice Industry Truths

Truth #1: Sound Financial Advice and Guidance Has Never Been More Needed

Truth #2: Lack of Gender, Race and Cultural Diversity is Inescapable

Truth #3: Time is Scarce. Talent is Precious. Technology and Operations Processes Must Epitomize Efficiency

Truth #1: Sound Financial Advice and Guidance Has Never Been More Needed.

What happens when you combine a demographic time bomb, substantially low financial literacy rates, a decade-plus of near-zero interest rates, a severe economic shock and a global pandemic into a single point in time? Well…it's not great. Roughly 2-in-3 Baby Boomers say they're not confident they will have enough money to live comfortably in retirement and over half (about 58%) of consumers over age 55 have less than $100,000 of savings. To make matters worse, for too long the industry has ignored the clients of tomorrow – turning their collective noses up at Gen X, Millennials and Gen Z opportunities.

That's the bad news.

The good news is that the "shock and awe" of 2020 has triggered more Americans than ever to seek out the calming, capable hands of financial professionals. In fact, the number of investors who say they are working with an advisor is skyrocketing – up to 67% in 2020 from 51% in 2016, according to Nationwide's Sixth Annual Advisor Authority study.

But not every firm is prepared to seize this once-in-a-century opportunity. Those who lead with a financial planning and fiduciary responsibility will lead the way. At a minimum, the financial advisor and his or her firm should provide a combination of investment, retirement, insurance and financial planning. Done right, their guidance should also cover estate planning, tax planning and long-term care.

Three Advice Industry Truths

Truth #2: Lack of Gender, Race and Cultural Diversity is Inescapable

An overwhelming lack of gender, race and cultural diversity has been the investment and financial advice industry's biggest "black eye" for multiple decades. For too long, industry leaders have turned a blind-eye to inappropriate client behavior, booze-filled horror stories from industry conferences and trading floor "bro culture". In addition, a general lack of multi-lingual regulatory, education and marketing materials strongly linked financial literacy with socioeconomic background.

Roughly 79% of America's 434,000 financial advisors are white (Caucasian) despite that cohort only making up 63% of the entire population and 99% of mutual fund assets are managed by white male-owned firms. In contrast, minority groups are significantly underrepresented with Hispanics/Latinos comprising only 7.1% of advisors (36% of population) and African Americans comprising only 8.1% of advisors (12.2% of population). Even though the problem was hiding in plain sight the industry largely ignored it. One recent advisor survey showed that only 21% of financial advisors strongly agreed that the minority community is underserved.

But the tide has turned...in a big way.

Women in the United States don't just represent a sizable opportunity, they control $10.9 trillion in assets and that figure is expected to triple by the end of the decade. Social movements like #MeToo and the ongoing struggle for social justice, combined with women living 5+ years longer than men in the U.S. and other demographic trends are rapidly making gender, racial and cultural diversity a primary driver of future business.

Those firms who don't act quickly to this truth, as in right now, will suffer the unforgiving consequences of a consumer market that has left them behind.

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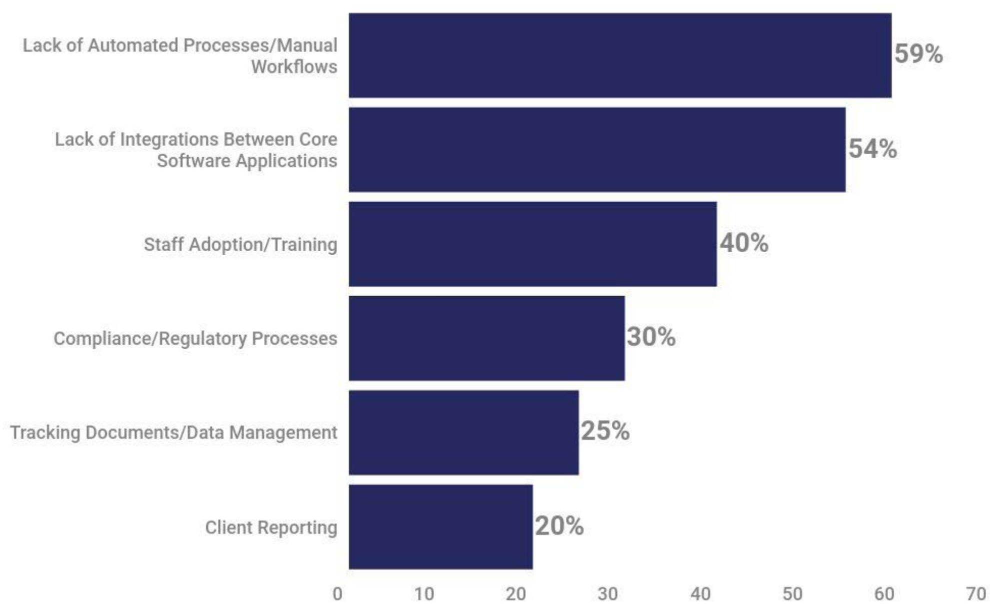
The rules have changed. Rather than just focusing on retirement or investments, clients of all ages are now demanding their financial advisor provide more holistic advice and comprehensive planning services that are highly personalized to his or her goals. They seek estate planning advice, trust services, tax-optimization and a highly skilled "sounding board" who they can talk through concerns and have questions answered. In addition, clients want "Amazon-like" ease-of-use and on-demand accessibility to their financial picture.

Today, there are so many demands on a financial advisor's time uber-efficient operations and a well-oiled technology stack are must haves to remain profitable. Although wealth management firms have spent big money on technology over the past decade, most are still struggling to realize the potential those technologies provide (see chart).

Firms Have All the Bells and Whistles, Lack the Nuts and Bolts

Currently, which, if any, of the following are the biggest hurdles or pain points in your firm's technology processes? (Select up to three)



Source: InvestmentNews Advisor Technology Study 2020

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Take Advantage of the Disruption

While these three truths are difficult to swallow, opportunities created by this disruption are plentiful. At the end of the day, those firms and providers who embrace change, seek out innovation and choose their technology wisely will succeed.

Those who don't? Well, the truth is they likely won't survive.

Ryan George is the Chief Marketing Officer at Docupace. He is responsible for the company's brand awareness, early-stage sales pipeline, content strategies, customer and industry insights, internal and external communications, design, and events. George actively engages in leadership roles in both the financial services and marketing communications communities. He a member of the Forbes Communications Council, an invitation-only, fee-based organization of senior-level communications and public relations executives, the CMO Council and the CMO Club.

i "Women as the Next Wave of Growth in U.S. Wealth Management" McKinsey & Company, July 2020

Six Areas Where Wealth Managers Can Transform Their Business This Year

By Rob Norris, Managing Principal at Capco

The global coronavirus pandemic disrupted the financial advisory industry. Here's what that means in 2021.

Despite the unprecedented challenges presented by COVID-19, wealth managers adapted to effectively serve clients while navigating an uncertain economic and financial market environment. Stable fee-based revenue combined with an increased demand for advice during the pandemic underscored the value proposition of a modern wealth approach.

Following a severe, albeit short recession, emerging trends quickly accelerated as financial advisors needed to embrace a digital engagement model to serve the clients' evolving needs in a multichannel ecosystem.

In the wake of the pandemic, firms will continue to grapple with headwinds, including a slowing economy, turbulent markets, shifting regulatory environment and managing their balance sheets as they adapt to the new normal.

Here's a look at how wealth managers have demonstrated resiliency in 2020 and key strategic considerations for firms to transform their business in 2021.

Six Areas to Transform

1. **Prioritize Digital Client and Advisor Experience**
2. **The Intersection of Banking and Wealth Management**
3. **Increase High-Net-Worth-Client Engagement**
4. **Leverage Diversity and Inclusion as a Competitive Advantage**
5. **Retirement Service Providers Shift Focus to Legislation**
6. **Regulatory Implications in New Political Landscape**

1. Prioritize Digital Client and Advisor Experience

Delivery model digitization efforts accelerated this year as firms were forced to reimagine how financial advisors connect with clients and deliver advice. According to the J.D. Power 2020 U.S. Wealth Management Mobile App Satisfaction Study, customer satisfaction lags other financial apps such as retail banking and credit cards despite increased utilization during the pandemic. The mobile app is the cornerstone of the digital client experience, representing the entryway for many clients to the firm or advisor. In response to the accelerated digital transformation and underwhelming study results, wealth managers should consider the value in a redesigned platform that addresses client needs and creates a seamless experience.

Similarly, less than half of advisors surveyed say the core financial planning technology their firm provides is "very valuable," suggesting a disconnect between wealth firms' technology capabilities and value. As clients increasingly prefer digital engagement methods, firms should prioritize enhancing their digital infrastructure, thus enabling advisors to serve clients at scale efficiently. Firms that create a fully integrated client/advisor experience will win wallet share.

2. The Intersection of Banking and Wealth Management

Traditional banking, characterized by low-interest rates, unnecessary fees and antiquated technology, is ripe for disruption. Enter Wealthfront and its new service, Autopilot, to automate a client's savings and investment strategy. Launched in September 2020, this represents the first iteration of Wealthfront's longer-term vision of Self-Driving Money. Self-Driving Money will leverage software to optimize every dollar a client earns and automatically take the most appropriate next-best action based on their unique situation. Similar to no-cost trading, robo advisors are again challenging incumbents to innovate.

Alternatively, banks are establishing wealth management offerings driven by robust growth potential and stickiness of advisory-based relationships. According to Cerulli, 49% of wealthy clients say they would prefer a single financial institution to serve most of their financial needs, yet only one-third of clients are engaging a firm in this manner. The gap between client interest and execution presents a major opportunity for wealth managers and banks to consolidate existing client assets. With financial wellness increasingly at the core of all client relationships, wealth managers and banks that can develop a holistic digital offering will meet clients' growing hyper-personalization expectations and be well positioned to consolidate client assets.

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3. Increase High-Net-Worth-Client Engagement

Wealth managers should prioritize efforts to engage and deepen relationships better with high-net-worth clients, accounting for more than 43% of total U.S. investable assets. The impact of COVID-19 has shifted the needs of HNW investors, focusing on prioritizing capital preservation, tax optimization, and environmental, social and governance and socially responsible investing in addition to tailored goals–based planning solutions.

According to Cerulli, registered investment advisors and multifamily offices are winning market share in the client segment from traditional wirehouses and private banks. RIAs and MFOs have done this by focusing on personalized financial and superior technology, catering to the evolving investment preferences of HNW individuals. To combat the attrition of client assets, incumbents should connect with emerging HNW clients—particularly within households they currently serve—early in their wealth accumulation years.

With millennial and Gen X investors set to inherit approximately $53 trillion over the next 20 years, firms that build relationships with clients' potential inheritors, leverage client insights, and understand trends to inform product and service offerings will stand to benefit in the current environment.

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4. Leverage Diversity and Inclusion as a Competitive Advantage

The wealth management industry has largely underserved women and people of color related to the employee workforce, particularly financial advisors. Due to increased stakeholder interest, diversity and inclusion has taken center stage and wealth managers have an opportunity to turn their commitment to change into a key differentiator. With nearly 40% of advisors set to retire in the next decade, according to Cerulli Associates, the new cohort of advisors should more closely reflect the client demographics they serve. In order to attract and retain next-gen clients, firms should consider doubling down on short-term strategies while balancing longer-term initiatives to reap the benefits of diversity that drive improved business performance.

Merrill Lynch is striving to be the industry leader in D&I and became one of the first firms to release data on advisor diversity. Similar to Bank of America, Merrill is looking to provide transparency and establish a robust training program to increase diverse representation in the advisor role. As firms are being required to diversify representation among advisory boards and senior leadership teams, focusing on the industry's future leaders can create a stronger talent pipeline.

5. Retirement Service Providers Shift Focus to Legislation

Retirement services providers turned their attention to the CARES Act when the coronavirus pandemic hit but will focus again on initiatives, including implementing SECURE Act provisions in 2021. The refocus will include educating plan sponsors on financial wellness and innovation via automation. Additionally, service providers will need to grapple with implications for defined contribution product development and distribution initiatives. Furthermore, the defined contribution plan managers will need to manage potential regulation from the Department of Labor, which would decrease the adoption of ESG products.

6. Regulatory Implications in New Political Landscape

Under the Biden administration, the regulatory landscape brings Regulation Best Interest and the DOL fiduciary rule back in focus. Potential changes to the fiduciary standard, new rules governing advice in retirement accounts, and higher taxes for the wealthy demand wealth managers and advisors' attention. Wealth managers should prioritize educating advisors on estate planning, tax planning and charitable donations to navigate the potentially changing tax code while revisiting business models to assess readiness to manage potential conflicts of interests.

Rob Norris is a managing principal and Michael Daly is a senior management consultant at Capco, a global management and technology consultancy dedicated to the financial services and energy industries.

Six Areas to Transform

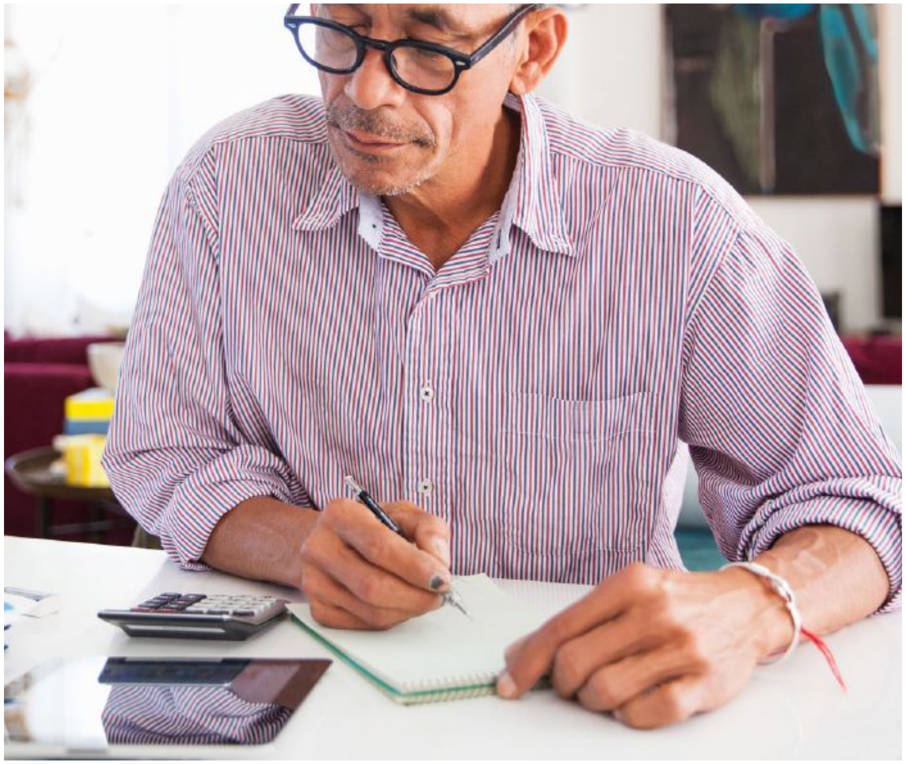
Optimizing Your Wealth Management Firm for a Post-COVID World

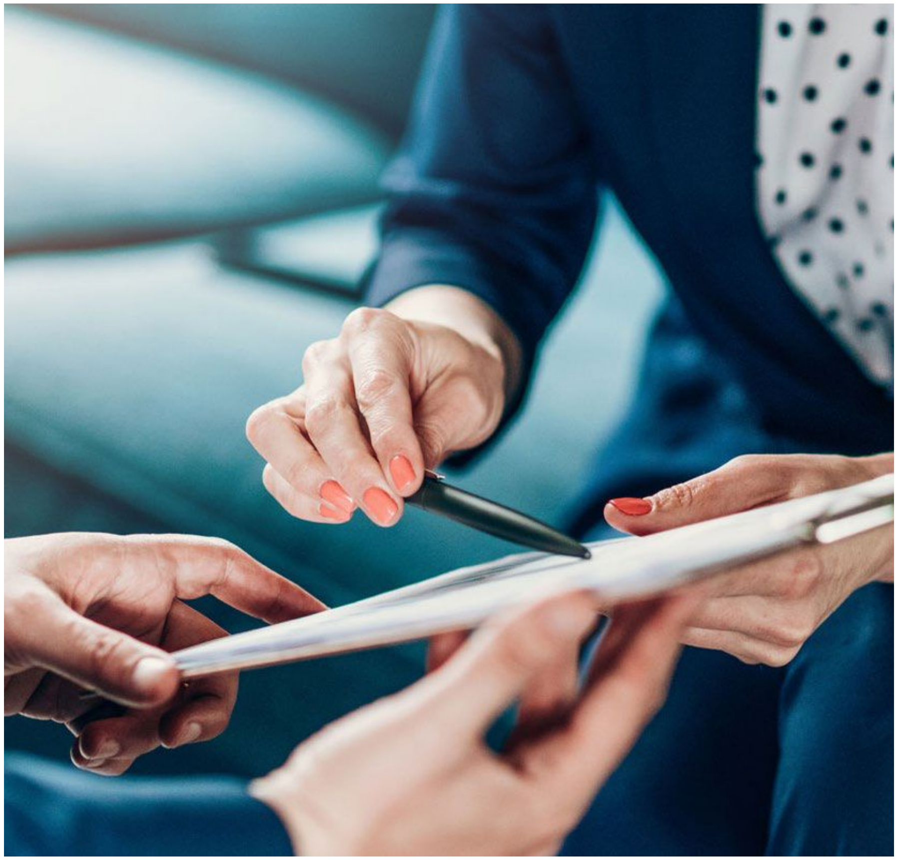
By Ryan George, Chief Marketing Officer at Docupace

COVID-19 has forced many businesses to adapt and even rethink their business models. The traditional ways of doing business, such as in-person meetings and physical document exchanges, have been replaced with Zoom meetings and digital signing.

As wealth management firms prepare to return to a new normal, digital tools will become a key part of meeting client expectations. While many organizations had implemented some of these tools, the pandemic drove adoption and implementation dramatically. And, as younger generations begin to amass more wealth — Millennials are set to inherit nearly $68 trillion by 2030 — they'll expect solutions that are personalized and digital.

To compete in the market post-COVID, many organizations have optimized their operations for the digital world to capitalize on the massive growth and valuation opportunities that lie ahead.





Digital Companies Create M&A Opportunities

According to Financial Advisor IQ, the year 2020 saw a record number of mergers and acquisitions, up 20% from 2019. Of 159 total deals in 2020, most transactions occurred in the second half of the year. Wealth management firms that transitioned to digital workflows gained a key advantage over their competitors: agility. This agility is crucial for M&A activity. Whether you are a buyer or a seller in the M&A arena, your speed to market and ability to react to market trends, changing conditions, and (especially) disasters can be a determining factor in your valuations.

2020 also saw an increase in deal sizes, where the average valuation of acquired firms is said to have reached $1.7 billion. As the dollar figure of deal sizes rise, firms that effectively leverage digital solutions are in pole position as both buyers and sellers because of an increased ability to onboard clients, manage documents, and automate transactions.

Optimizing operations for more digital services removes the hassle of paperwork and manual signatures from investors and advisors, creating a more satisfying and productive wealth management experience that can be completed faster than ever before. All this adds up to more profitability and higher valuations, which puts you in a better situation whether you are buying or selling in the current M&A arena.

Digital-Ready Firms Are More Disaster Proof

The global pandemic taught businesses that their reliance on a physical location is dangerous to their future. In 2020, many firms were severely threatened by COVID-19 restrictions because they could not access physical files in their offices or meet with clients in person. In a PWC survey, concerns about COVID-19's impact on workforce conditions and productivity was a top concern among wealth management firms.

Firms that transition to digital operations through a secure platform can access client data and work with clients, regardless of their physical location, putting their minds at ease and keeping business moving during an already turbulent time. This added resilience and flexibility adds value to a firm by making them less vulnerable to physical threats posed by elements, disasters, and data breaches.

As the world continues to recover from the current pandemic and enter a new normal, firms that operate digitally reduce their recovery time while increasing their ability to empower advisors and investors alike.

Weather Any Storm:
Digital Operations Make
Broker-Dealers More Resilient.
Download Now

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Digital Firms Win the Talent War

The wealth management industry is also experiencing a shortage of talented younger advisors and increased competition for competent professionals. In 2018, the Retirement Income Journal estimated that less than 12% of financial advisors were under 35. Younger professionals are proficient with technology and can be attracted to industries with more innovation and disruption.

The digital transformation of wealth management operations gives firms yet another advantage because they extend their reach. When a firm is not tied to a building or specific location, they widen the talent pool to a global audience. Advisors feel supported no matter where they are and can provide top-notch service to clients as if they were in an office. By removing the barrier of physical location, firms also open themselves up to new clients they would have otherwise missed out on, which adds diversity and quality to their portfolios.

The COVID-19 pandemic has accelerated the digitization of wealth management, and many firms have made changes in months that were predicted to take years to implement. With the coming volatility and uncertainty in the economy, many clients are looking to their advisors to weather the storm and find stability. Offering solutions that meet clients where they are and flexibility to keep business moving during periods of anxiety will set firms apart and provide opportunities to serve their clients better than ever.

Download Report:
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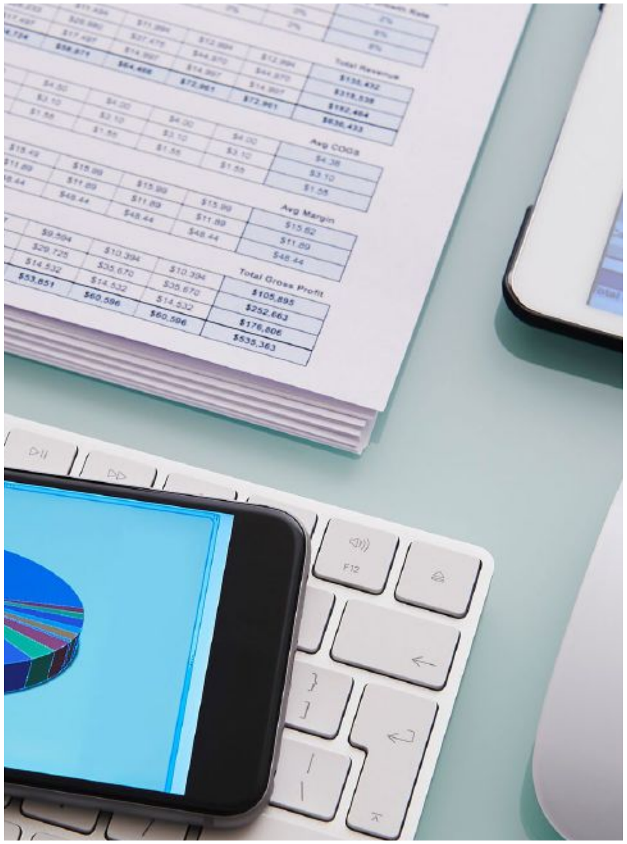
Advisors' Obsession with Traditional Marketing

By Brandon Moss, CFP is the Chief Marketing Officer and Senior Consultant at Herbers & Co.



Not unlike clients who come to advisors for a quick fix to their financial woes and expect unrealistic returns, advisors who turn to traditional marketing to get them past growth hurdles are destined for immense disappointment.

Financial advisors, like doctors or lawyers, are more often than not highly trained professionals with one job: taking care of their clients. The amount of time it takes to attain a CFP, a CFA or countless other credentials, and to look after people's financial lives day in and day out, 24/7, 365 is often staggering. It is hard work. Being a trusted financial expert is a full-time job. If you add business ownership to that already substantial responsibility, the job is even more challenging.

Given that advisors are already under immense pressure (even in a good year, much less 2020) to deliver for clients, and to grow their client base and assets, can you blame them for looking for any competitive advantage they can find? Hence their affinity for traditional marketing: website development and enhancement; blogs; podcasts; social media; social media advertising: these are shiny toys that advisors pressed for time are lured to like a moth to flame, with dreams of growth dancing in their heads.

The conceptual allure of referrals rolling in on account of your dynamic, modern website, designed specifically to engage the visitors who have connected with you on social media or watched your wisdom-filled podcast, is strong. Yet, it is unhealthy to the point of obsession in the new world of marketing advisory firms.

Hindsight Is 2020

Advisors are quick to admit that they know little to nothing about marketing, but still they flock to strategies that don't work and repeat the cycle over and over.

Not unlike clients who come to advisors for a quick fix to their financial woes and expect unrealistic returns, advisors who turn to traditional marketing to get them past growth hurdles are destined for immense disappointment.

It's not that traditional marketing isn't necessary—a good portion of it is. Your brand and messaging must be squared away and clear, if you want clients coming, repeatedly. That said, let's take a step back for a moment. Here are some cold hard truths:

1. **No matter what your marketing plan is, if you and other advisors in your firm cannot deliver what you promise, no amount of marketing will unlock your growth.**

   Service to clients is always the best marketing because service speaks for itself. As a result, training financial advisors to provide consistent and reliable service to clients is the first and most important marketing tool. I know, training people is not the solution you want to hear when it comes to marketing your firm.

2. **In 2017 (yes, 2017) Accenture's Financial Services Global Distribution and Marketing Consumer Study reflected that we were beginning to see a "shift in consumer behaviors and expectations."**

   Most notability, how consumers receive advice from their advisors. Over 78% of consumers cited that they "welcomed automated support." These consumers wanted "speed and convenience." This means that after you dedicate yourself to training your advisory team, the second-best marketing tool you have is technology to deliver advice to the client faster. Now, enter 2020 with a world-wide pandemic leaving millions isolated at home, what do you think the pandemic did to speed up consumers want and desire to seek financial advisors with "automated support?"

3. **Our own trends data reveals that of those firms we worked with in 2020 who grew the fastest, the majority of their growth came from their existing client base sending them referrals.**

   How and why did those client referrals come in so rapidly? No, it had nothing to do with traditional marketing. It was the rate at which trained advisors could respond to client requests using technology those firms already had in place prior to the pandemic. Simply put, the firms who grew the fastest in 2020 responded faster and more efficiently than other advisory firms. Based on our assessment of data from the advisory firms we work with, if 40% of your client base has never referred someone, you're doing marketing all wrong.

Thinking Differently About Marketing

Here's the good news: You more than likely have the best functioning marketing mechanism in place already—your client experience, or in consultant speak, your CX.

Now, to win in marketing, we simply have to digitize it. In other words, make it accessible from any device and/or another digital tools. This is called your Digital Client Experience (DCX). Convenience is the best marketing tool of all.

But, before we make your service more convenient we have to figure out what is so great about your client service.

You may not have the foggiest idea about websites, podcasts, and social media—all the basic marketing toys that everyone seems to tout. Great news is, now you don't need too. What you need is to understand even better your client service, make it digital and accessible, and you're an expert in client service already.

Once you've spent some time digitizing your firm, you will feel energized, focused and empowered to make important strategic decisions about your business, which may certainly involve a website refresh or deploying social media more effectively. The point is, you will have clarity or purpose, armed with the knowledge of how every nook and cranny of your business is contributing to the war effort in winning the best clients.

Making your client service more digital is the marketing insight that truly

separates the great firms from the ones that are just getting by, albeit with a nice new website. Learning how to make your client service more accessible through CX and DCX, you will unlock the true secret of marketing. It might even become your next, rather healthy, obsession.

Brandon Moss, CFP is the Chief Marketing Officer and Senior Consultant at Herbers & Co.

A Back Office Revolution Has Begun

By David Knoch, CEO of Docupace

For the millions of American families receiving financial advice from over 300,000 financial advisors and wealth management professionals, their technology experience has never been better. For a decade or more, financial technology firms, and those that buy from them, have been focused on elevating the customer and financial advisor experience.

We have technology enabled and democratized investment product supermarkets, psychologically and scientifically deep risk profiling, intuitive and personalized marketing platforms, rich aggregated data beautifully presented, digital advice solutions that have both reduced costs and focused advisors, and more. We've used this technology to drive fiduciary experiences, make financial planning the norm, not the exception, and personalize the client experience at scale. In fact, there are more than 400 financial technology firms serving customers and advisors, with new ones coming to market each week.

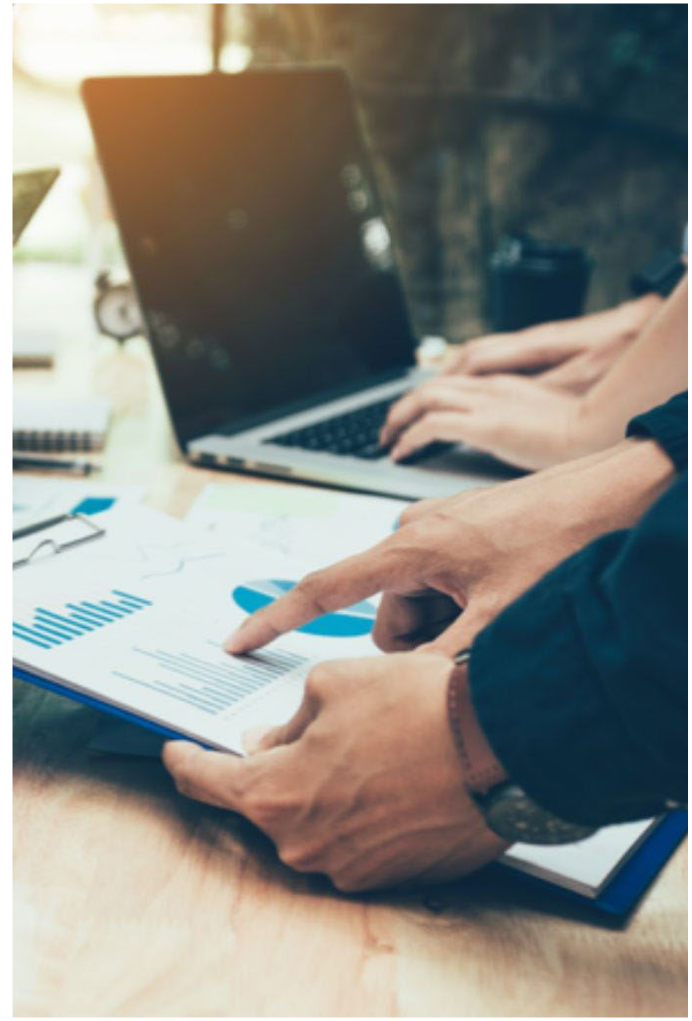
At the heart of the customer experience

But have you ever wondered what happens behind the scenes? Unfortunately, far too often, these beautiful customer and advisor experiences are met with deep execution challenges that are rarely seen, but frequently experienced. Far too often, digital data is turned analog, paper and pens are still required, operations professionals manually move data between un-integrated systems, and firms spend millions supporting legacy, home-made operating platforms they just can't seem to modernize or escape. The result? The customer experience remains lacking. That account you are opening takes way too long, has too many places to sign and has a shocking volume of pages. That account you are transferring seems to linger too long. Your old address keeps showing up. You remember already giving someone that data. That beautiful financial plan may have been well-crafted, but you might be questioning whether it is truly well-executed, and what that means the next time you need to make changes to that plan.

The good news is that the financial services industry is rapidly turning its attention to what actually happens behind the scenes. For advisors and the firms, they work with, their brand is a promise and they are driven to make sure that promise is fulfilled. In fact, as the customer and advisor experience begin to get better everywhere, firms and advisors are finding they can, and need to, compete on the quality of execution. In fact, according to research by consulting firm Celent, spending on third party systems will be close to 50% of technology spend by 2022, versus just over 25% in 2016.

The Race is On

Firms are beginning to leverage specialist financial technology firms to move faster and improve execution, rather than continuing to maintain outdated legacy platforms that cripple execution excellence. And that spending is being directed at one of the most critical back office functions, document management.



In fact, according to this same research 42% of financial services firms are in the process of adopting or replacing document management technology, while nearly one quarter don't have this critical operating technology AND have no plans to install it in the next several years. This has all the makings of the next competitive front-line occurring in the back office.

At Docupace, we are solving these back office challenges for some of the largest wealth management enterprises in America, and small ones too, delivering a consolidated new account opening process, digital forms creation (when forms are necessary), digitally or electronically signed documents or records, integration with third-parties to eliminate duplicate data entry and ensure straight-through-processing, automated workflows, soon to be powered by artificial intelligence and robotic process automation, and secure storage of data and documents to ensure security and regulatory compliance.

This technology sits at the core of financial planning execution, ensures an integrated experience between the client, their advisors and the firms they work with, and leverages bi-directional data from a wide variety of sources.

The promise of a well-executed client and financial advisor experience is being fulfilled for these firms we have the privilege to serve.

The financial services industry has done incredible work to democratize investment advice, encourage saving, empower the consumer, lower costs, and modernize the experience for clients and the financial advisors who serve them. Now is the time to start the back-office revolution and give these clients and advisors the flawless execution they deserve.

David Knoch is CEO of Docupace a solutions provider focused on digitizing and automating operations in the financial advice and investment industry. David currently serves as the Immediate Past Chair of the Financial Services Institute (FSI) Board of Directors and has been voted one of the 25 most influential people in the Investment Advisory industry two years in a row – 2018 and 2019.

Meet the New

Docupace

Docupace is a solutions provider focused on digitizing and automating operations in the financial advice and investment industry. Financial services firms use the Docupace Platform (a cloud-based, integrated software suite) to reduce back-office expenses, improve efficiency, strengthen recruiting, and enhance the experience of advisors and investors.

Client Onboarding

New account opening and maintenance is simple with automatic data synchronization and compliance checks.

Advisor Transitions

Digital workflows make it possible to transition incoming advisors' books of business in as little as 30 days.

Document Management

Store records with a secure, cloud-based document management solution and always be prepared for an audit.

Reg BI

Simplify Reg BI compliance with a cost and time effective digital solution.

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Visit us at www.Docupace.com

Three Wealth Management Trends to Watch in 2021

By Kevin R. Keller, CEO of the CFP Board

Trends that emerged in 2020—adapting to client needs, advancing diversity and inclusion and answering the growing demand for financial advice among first-time investors—are here to stay.

By all accounts, 2020 was a year of disruption for households, businesses and entire industries. Working parents juggled kids at home and shared office space with their partners, while many small and established businesses had to reinvent themselves entirely to survive.

As a profession, financial planners have helped clients adapt to these changes and, in the process, faced major disruptions as well.

In my (mostly remote) conversations with financial planning leaders over the past year, it's become clear that some of the trends that emerged in 2020—adapting to client needs, advancing diversity and inclusion as well as answering the growing demand for financial advice among first-time investors—are here to stay and will strengthen the profession.

1. The World as We Knew It Changed, but the Core Tenants of the Advisor and Investor Relationship Stayed the Same

As with so many other businesses, the pandemic and ensuing acceleration of remote work forced all financial firms, from big broker/dealers to smaller RIAs, to adapt their styles and business practices to support their financial professionals and clients.

Long considered a business built on in-person, face-to-face meetings with clients, firms now need to provide their advisors with tools to adapt to a virtual face-to-face meeting environment. During the pandemic period, it will be important to maintain and even increase client engagement.

Firms that had invested in technology saw those investments pay off. Digitizing essential paperwork and other compliance best-practices helped ensure a seamless transition for their employees and allowed them to focus on what matters: the relationships with their clients. Firms behind the curve had to quickly adopt such programs.

For some advisors, the remote meetings and interactive tools that facilitated these inquiries have helped forge deeper client relationship, allowing for more frequent meetings and more personal interactions. As a result, we're likely to see an increase in digital client engagement long after COVID-19 subsides. According to a survey conducted over the pandemic by Natixis, 54% of financial professionals cited frequent communication as a critical factor in successfully growing client relationships. In addition, this survey notes that 43% of financial planners as cited proactive outreach during notable market events is critical to success and client retention.

2. True Change to Create a Diverse and Inclusive Profession Takes Time

Racial, ethnic and gender diversity are crucial to the sustainability of the financial planning profession. Our industry has taken steps, both last year and in years past, to create a diverse and inclusive profession, but the events of 2020 have galvanized support for racial justice and equality. The death of George Floyd this past June spurred a renewed civil rights equality movement, with individuals and organizations across the country committing to programs intended to create environments with more diversity and inclusion. While these commitments are important steps, they are just the beginning. True change takes years.

In the financial planning profession, we have a long way to go, but we're beginning to see some of the green shoots of our commitments. The Center for Financial Planning, has focused its efforts on creating a more diverse and sustainable financial planning profession. As a result, there has been incremental progress toward our goal—4.16% of all CFP professionals are People of Color. In 2020, Black CFP professionals grew by 10%, and Hispanic CFP professionals grew by 13.9%. Additionally, the number of diverse CFP professionals reached 3,688 Black and Hispanic CFP professionals following the September 2020 CFP certification exam.

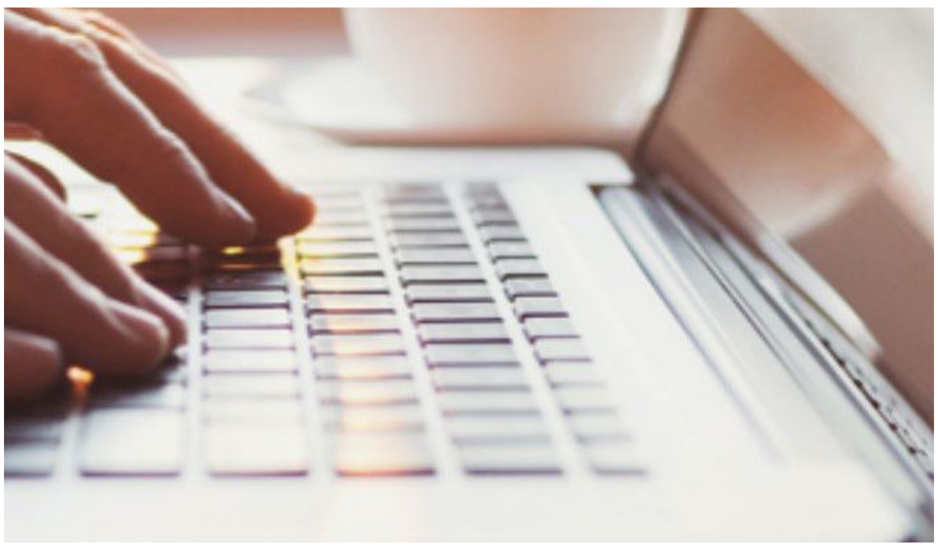
We have also been encouraged by the great support and efforts by financial firms that we have collaborated with over the past few years to help in this effort.

3. A Perfect Storm of Market Volatility and Increased First-Time Investor Engagement Will Likely Persist

Kevin R. Keller is the CEO of the CFP Board.

It's become clear that market volatility and deeper economic troubles have kept Americans on edge, generating emotional and financial stress. According to an April pulse survey of CFP® professionals, 78% of CFP® professionals reported seeing an increase in client inquiries over the past 30 days, with 34% reporting an increase in inquiries from prospective clients.

This trend hasn't abated in the months since the dark days of April. In a large-scale study conducted by Hearts & Mind Strategies in the days after the presidential election, more than half of Americans (54%) experienced high or very high levels of stress. More than one in three individuals (34%) described their personal economic situation as worse than four years ago, a nine-point increase from March 2020.



The rise in anxiety from the pandemic coincided with a dramatic increase in first-time investors. Bloomberg Intelligence reports that due to savings accounts paying very little, and people finding extra time while working from home, amateur investors who've gotten a taste of shares are becoming a permanent feature of the stock market. In fact, Bloomberg Intelligence reports that more than 50% of Robinhood's new customers in 2020 say they are first-time investors, and more than 20% of stock trades have been made by retail investors.

With a new class of people looking to leverage their assets in investments—many of them for the first time—there's a growing need for professional financial advice, especially given the market volatility over the past few months. As this demographic continues to gain exposure to the markets and its uncertainty, they'll be looking for the security that comes from working with a financial planner.

2020 was quite a journey. Rather than a "return to normal," financial planners and wealth management firms have embraced the challenges of the past year. With any luck, by this time next year, financial advisors will all be able to enjoy face-to-face conversations with our colleagues and clients. But I believe that the lessons learned during the pandemic will remain.

During the year ahead, I fully expect financial professionals to find new ways to leverage technology, increase diversity and serve the needs of first-time investors.

This will be a lasting change – for the better.

Kevin R. Keller is the CEO of the CFP Board.