2022 Connected Wealth Report

This report explores the role that a wealth management firm's technology plays in facilitating business. It examines how firms can use technology to build deeper relationships in the digital world and deliver a more seamless wealth experience.

A survey of 300 financial advisors and executives at a wide range of large broker-dealers, registered investment advisers, and bank trust companies across the industry.

Advisor360°

Welcome

For years, the financial services industry has talked about using technology to build a truly connected wealth experience for providers and advisors alike.

Unfortunately, legacy technology combined with single functional point solutions have made it difficult for most firms to deliver an optimal advisor experience. Changing client expectations forces today's firms to take a hard look at the technology investments they're making to assist their advisors and reduce costs.

When will we have a smartphone-like experience in wealth management? Our research shows that the appetite for innovation is there, however, the industry needs to address certain institutionalized obstacles before we can expect to see substantive change.

In the fall of 2022, we surveyed 300 financial advisors and executives from a wide range of firms including insurance broker-dealers, independent broker-dealers, RIAs, and bank trusts to explore how a firm's technology is impacting the advisor-client relationship.

Our research provides encouragement that while some legacy technology challenges remain, many are being overcome—a positive indicator of technology acting as an extension of the advisor to service clients.

Respondents in our survey want their firms to upgrade their technology even more to help them be successful in serving clients.

When firms take up the challenge of creating an optimized, end-to-end technology experience, we'll witness faster growth, deeper relationships, and greater advisor productivity.

We know that successful wealth managers care deeply about cultivating personal connections with their clients. It is incumbent on firms to recognize that better technology will help facilitate these connections between advisors, clients, and their firms. This research can help us learn what works, what doesn't, and how to drive change to ultimately transform financial services for the benefit of all.

> **Our research shows that the appetite for innovation is there, however, the industry needs to address certain institutionalized obstacles before we can expect to see substantive change.**

Sincerely,

Richard N. Hart III
SVP, Corporate Development at Advisor360°

Research concept

The Advisor360° 2022 Connected Wealth Report surveyed 300 financial advisors and executives from a range of broker-dealers, registered investment advisers, and bank trust companies to get their perspective on the role that technology plays in their business.

The telephone- and email-based survey was conducted during September 2022 among financial advisors and other executives at firms with more than $5 billion in assets under management and more than 1,000 employees on average. The survey was conducted by Coleman Parkes Research on behalf of Advisor360°. Advisor360° and Coleman Parkes are separate and unaffiliated organizations.

Study detail

METHODOLOGY
Phone to web

SAMPLE SIZE
300 respondents

FIELD WORK DATES
September 2022

AUDIENCE PROFILE
Advisors, executives, and trust officers in broker-dealer, RIA, and bank trust organizations in the U.S.

BUSINESS AREA

27% Insurance broker-dealer

25% Independent/ Other broker-dealer

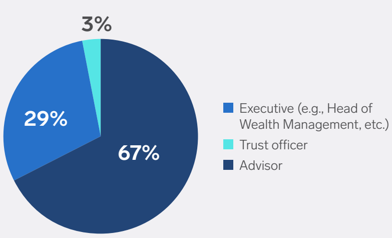
25% RIA

23% Bank trust

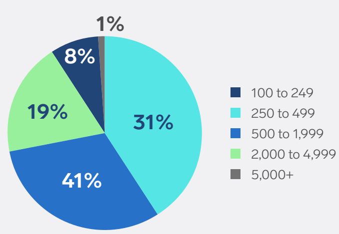
Figure 0.1: Study detail

Audience profile

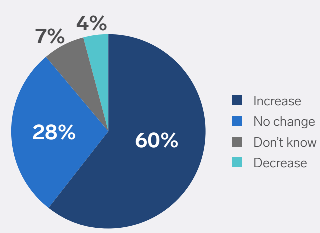
Job role



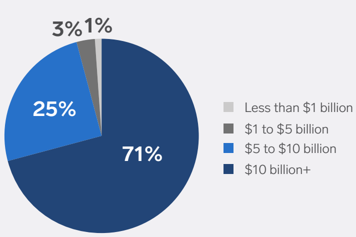
Number of advisors employed



Change in inflow of new client assets



Values of assets under management



Values of assets responsible for

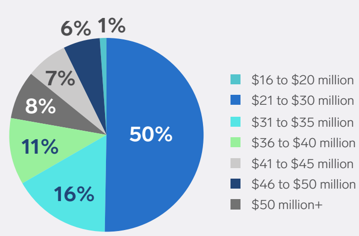


Figure 0.2: Audience profile

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Preface

The wealth management industry is evolving rapidly, forcing firms to upgrade legacy technology to remain competitive. Firms need technology that enables advisors to build lasting connections with clients and secure new business.

Our analysis of the responses provided by advisors and executives from a wide range of firms revealed three themes that can help us understand the current state of technology in wealth management:

Current wealth technology has gaps

Subpar technology is costing advisors business. Today's clients, especially from the millennial and Gen Z generations, expect to work with their advisors using modern technology, similar to the seamless, online engagement they enjoy in other areas of their lives. Advisors report that they are losing current and prospective clients because their wealth management technology did not meet expectations. With referrals a primary source of new business, it is more important than ever for advisors to build trust through strong connections.

Advisors seek to stay connected with clients

Many advisors view technology as an extension of their practice, so newer capabilities and innovations could have a significant impact on how they engage with clients in the future. Texting has been transformational for advisors—and they believe digital onboarding could be as well. Advisors know they need to communicate well with clients of all ages and they need tools to help them drive collaboration across generations.

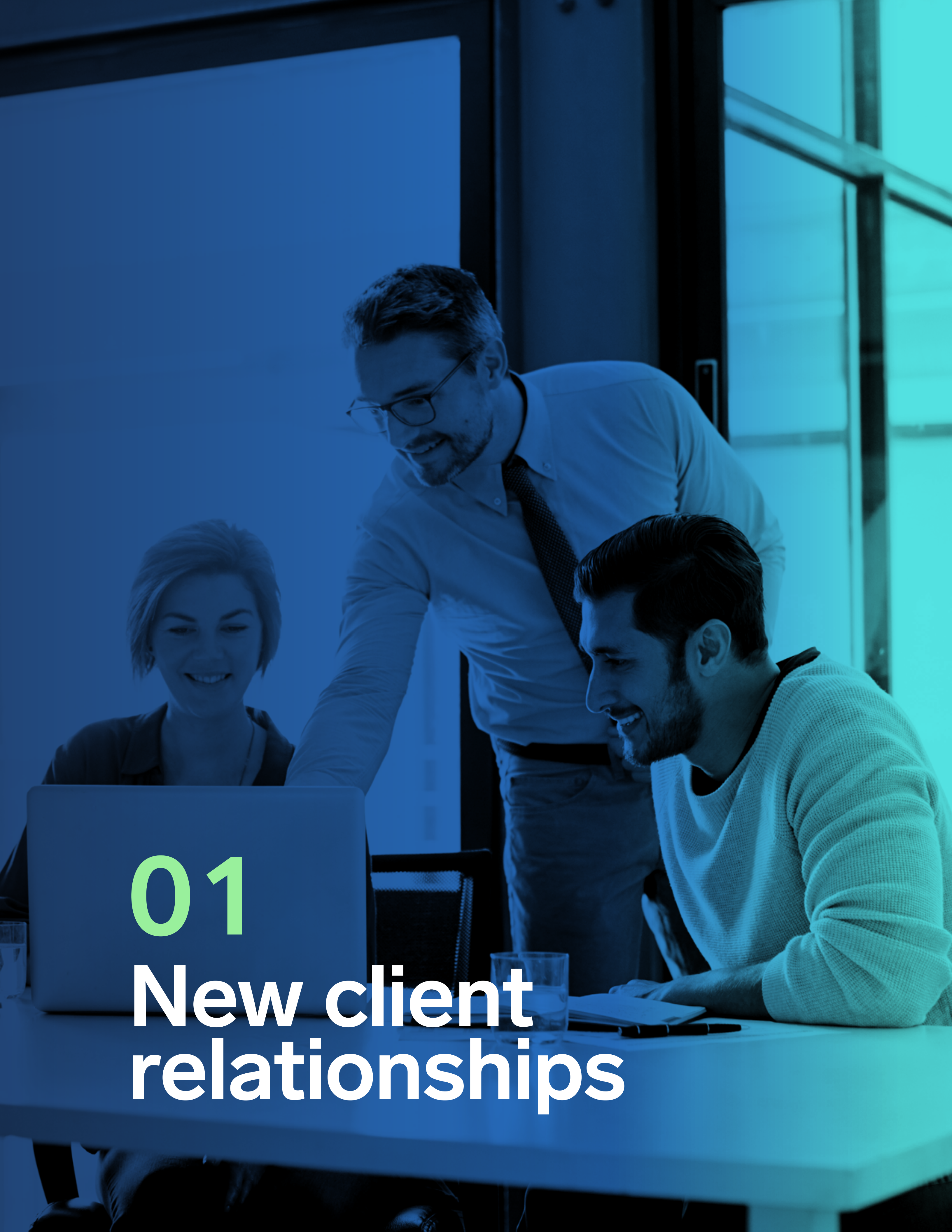
Advisors need workflow improvements to be more productive

Advisors' biggest gripe about their existing platforms is the lack of automation. Account aggregation, integrated tools, and seamless reporting would allow advisors to be more efficient and focus on expanding relationships with clients.

"Advisors' clients are looking for a personal CFO to help manage all aspects of their financial lives.

Darren Tedesco, President at Advisor360°

In the next three chapters, we'll explore the biggest technology challenges around new client relationships, client collaboration, and advisor productivity, and look at what can be improved.



01
New client relationships

When looking at how advisors secure new clients, one thing is clear: technology plays an integral role. Clients have come to expect a baseline of capabilities, including access to a client portal where they can receive personalized services, upload documents, and communicate in a manner that wasn't possible just 5 or 10 years ago.

Advisors report that outdated technology has cost them business from new and existing clients. On the other hand, those with a more modern technology stack experienced an increased growth (6%+) of new client assets under management in the last financial year.

What was the percentage change in your inflow of new client assets under management in the last financial year?

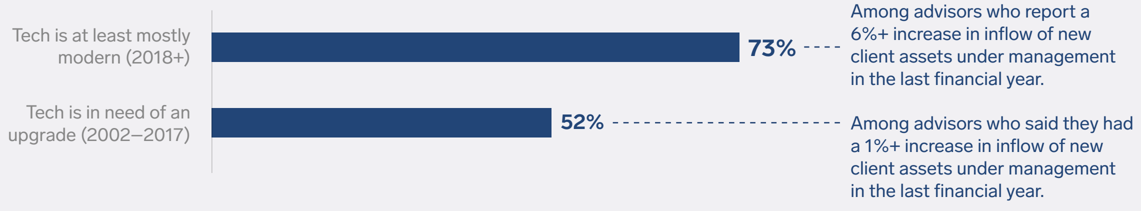


Figure 1.1: Client growth based on technology

Client expectations are higher than ever

Clients expect to have the same capabilities and ease-of-use with their advisor as they do in other aspects of their lives. Roughly two-thirds (65%) of respondents have lost clients or prospective clients because their wealth management technology didn't meet the expectations of their clients. Half of the respondents (52%) reported that they have lost prospects and a quarter (25%) have lost existing clients—with some saying they have lost both. Firms who can't meet today's standards of technological sophistication are leaving money on the table.

How would you categorize your firm's technology?

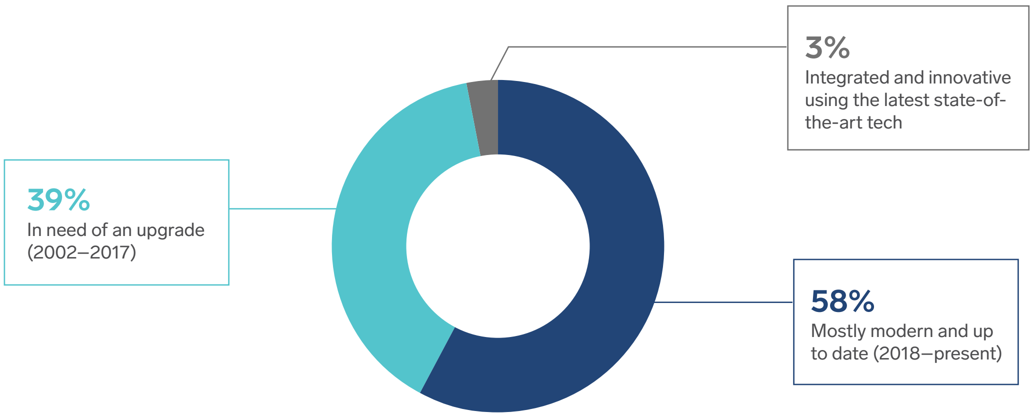


Figure 1.2: How respondents categorize their firm's technology

> **Technology can be a game changer for advisors who want to grow their business. Firms that can't innovate to today's standards or don't stack up to peers are leaving money on the table.**
>
> Richard N. Hart, Senior Vice President of Corporate Development at Advisor360°

What's driving these expectations?

When shopping with online retailers, consumers can find an item in the exact size, color, model, etc. that they want and add it to their shopping cart. The retailer's website may even suggest additional items to go with their original purchase. When checking out, consumers select their type of payment and will immediately receive a confirmation email that contains a tracking link. When the purchase arrives days later, they often receive texts and emails confirming when and where the package was delivered.

The consumer has access to an easy-to-use platform, they receive frequent communication via different media, and their expectations about the fulfillment of the product are managed by the seller. That's today's advisor-client communication expectation in wealth management, and firms need technology that can support it.

Have you ever lost business from either a prospect or an existing client because your wealth management technology capabilities did not meet expectations?

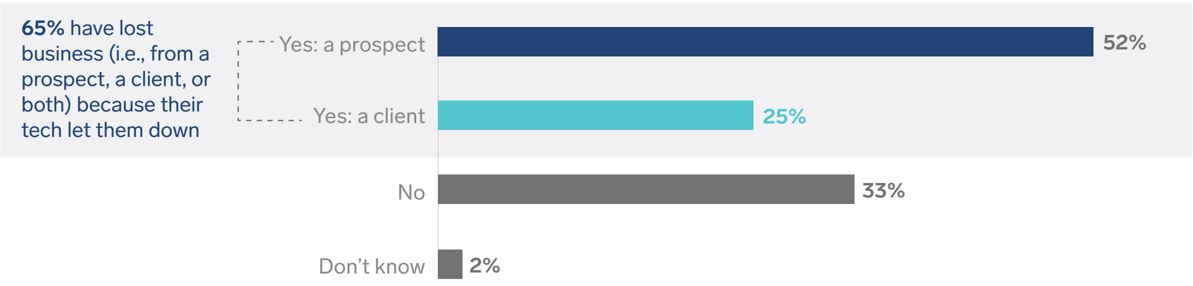


Figure 1.3: Advisors who've lost business because their technology let them down

These types of expectations are more likely to be fulfilled with modern technology. In fact, advisors who consider their technology to be modern were 50% more likely to see growth in new client assets over the last year.

Almost two-thirds (63%) of respondents say that helping clients realize their personal goals through their financial goals is the best barometer for judging the strength of a client relationship.

Referrals remain the backbone of new business

Conversations around saving for a child's future, inheritance, and asset transfers, or saving for a home are personal.

As we know, a client isn't likely to pick an advisor based off an internet search; they want someone trusted. A client is more likely to look to a close friend or relative who they share a common view of money with—somebody they already trust.

But how do advisors build that trust with clients? According to respondents, advisors acquire most of their new business from client referrals, but those with modern technology were 33% more likely to say their clients recommend them to others.

Do your clients recommend you to others?

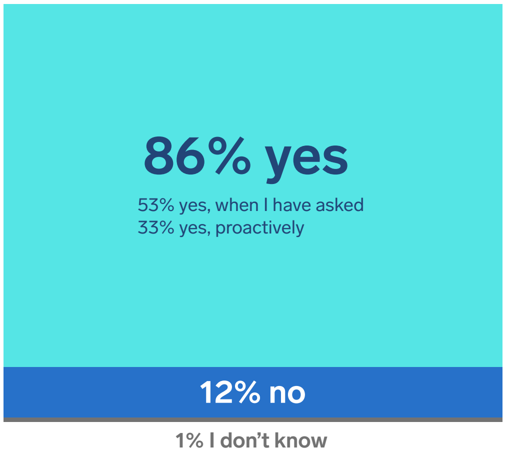


Figure 1.4: Client recommendations of advisors

How do you assess the strength of your connection/relationship with your clients?

Figure 1.5: Assessing the strength of client relationships

Personalized, goal-based

Today's client is looking to become more product savvy and seek access to products that are specific to their financial goals. Many clients want to understand what they are buying, what a separately managed account is, or what an equity is versus an option. They need to be product educated around what advisors are selling them if the advisor wants to keep them as a customer.

Advisors have also seen a rise in investors who are socially conscious and who want access to alternative asset classes. Some don't want to invest in companies, funds, or ETFs that have exposure to the oil or gas industries because of their contributions to global warming, similar to what the industry saw 20 years ago when investors stopped investing in tobacco companies. According to respondents, nearly half (43%) say there is a demand for ESG investment products. Knowledge of these products is crucial for advisors to be able to retain clients.

Please rate your current client demand for access to each of the following:

	Advisor Rating				
Product	Extremely high demand	High demand	Some demand	Little demand	No demand at all
Structured investments	20%	50%	24%	6%	0%
Annuities	35%	30%	26%	7%	2%
Long-term care insurance	10%	49%	30%	11%	1%
SMA/UMA	17%	29%	33%	20%	2%
Cryptocurrencies/NFTs	19%	25%	13%	18%	24%
Socially conscious or ESG	8%	34%	29%	25%	3%
Direct indexing	10%	19%	40%	21%	10%
Hedge funds	2%	8%	36%	40%	13%

Figure 1.6: Client demand by product

02
Relationship building

Just a few years ago, the rise of robo-advisors had the industry questioning whether financial technology should be considered the financial advisor's friend or foe. Today, we know the resounding answer to that question: friend.

More than half (53%) of respondents consider technology to be an extension of their practice.

Technology as an extension of the advisor resonates throughout respondents' answers when we look at the impact of digital onboarding, the need for direct messaging, and the desire to incorporate social media.

While advisors acknowledge a divide in types of communication among generations, they agree that providing a complete picture of clients' financial lives to be most important (38%). This is the best definition of a connected digital wealth experience.

How much do you agree or disagree with the following:

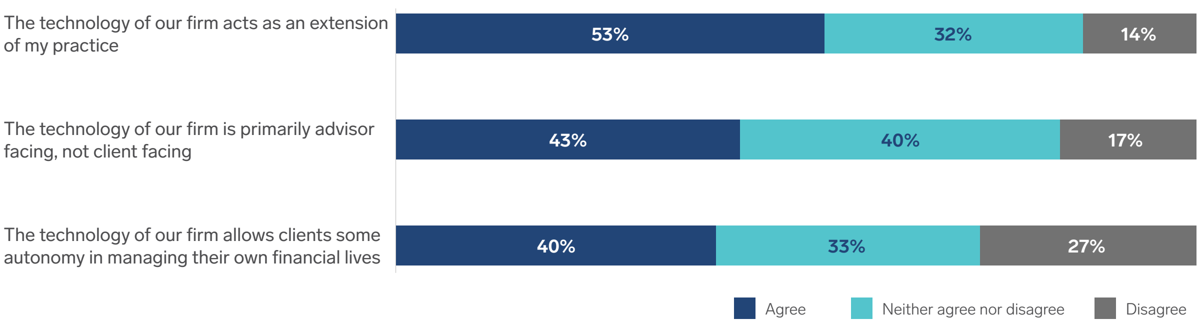


Figure 2.1: Technology as an extension of firms

Digital onboarding as an ecommerce-like experience

Advisors say that digital onboarding is the number one capability (93%) that dramatically impacts the way they currently work with clients or would work with clients in the future. Advisors want to give their clients a smooth, seamless transition—similar to their online shopping experiences. A consumer is able to find what they need on an easy-to-use platform and then complete the purchase with little effort.

An advisor's client opening an account is the point of sale in this example, and a positive experience will get the relationship off the ground on the right foot.

> **Firms with the right technology improve their advisors' ability to offer robust financial guidance and form deeper client connections, which ultimately translates into strong, healthy businesses.**
>
> Richard N. Hart, Senior Vice President of Corporate Development at Advisor360°

What do you see as the most important aspect of a client's connected digital wealth experience?

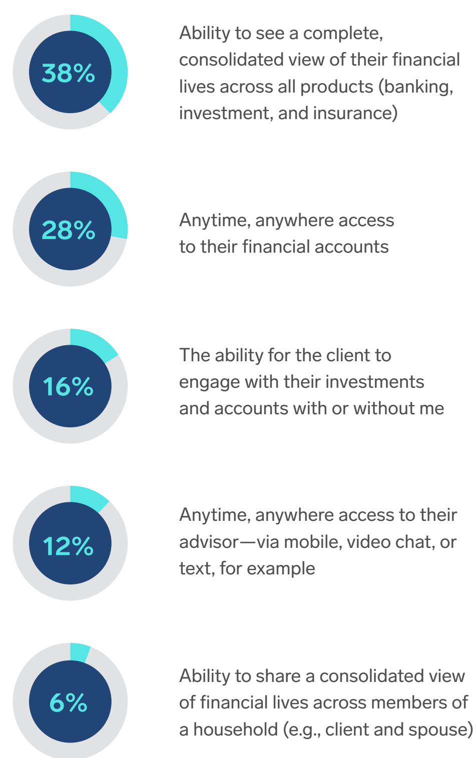


Figure 2.2: Important aspects for a client's connected digital wealth experience

Communication is key to deepening relationships

Advisors consider the ability to communicate with clients—directly, immediately, and across multiple channels—critical to building deep relationships. Looking back to our example of the ecommerce model, consumers are met with three different mediums of communication while purchasing and receiving their product—suggestions on what to buy via the internet, confirmation of purchase via email, and confirmation of delivery via email and text.

More than three-quarters (76%) of respondents say that secure texting or direct messaging has dramatically impacted the way they work with clients or could impact the way they work with them in the future, showing how much the industry has embraced this form of communication with their clients.

Incorporating social media into client tools

Advisors also believe that including social media in their client-facing tools can help them stay connected. In fact, eight out of ten advisors (82%) consider it important for social media platforms to integrate into the tools they offer clients while three out of ten (29%) consider it extremely important.

Consider: if a client posts an update about a new job, an advisor could reach out to offer congratulations and see if they need help consolidating employer-sponsored retirement plans, like 401(k)s. Similarly, posts about life events such as the birth of a child or grandchild could prompt the advisor to inquire about college savings or adjusting insurance policies. An active approach to staying updated on key milestones in clients' lives can help the advisor foster more personal interactions, leading to deeper client relationships. Having a consolidated view of a client's financial life in a wealth management platform would give advisors the ability to proactively deliver financial advice.

Which of the following do you believe would dramatically impact the way you work with clients?

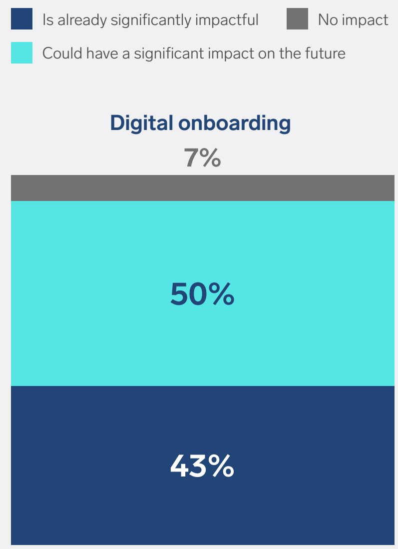


Figure 2.3: Impact of digital onboarding in the way advisors work with clients

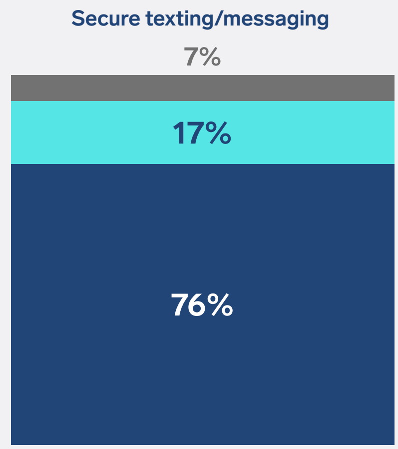


Figure 2.4: Impact of secure texting or direct messaging in the way advisors work with clients

How important is it for social platforms to integrate with tools you offer to your clients?

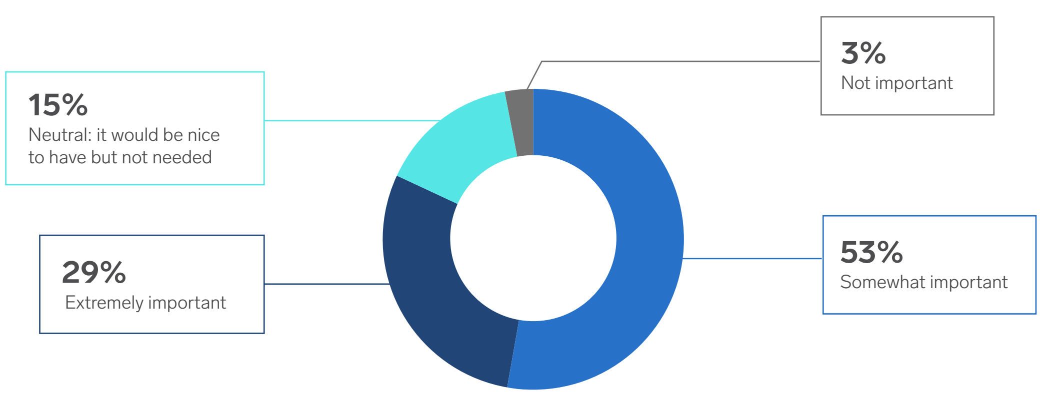


Figure 2.5: The importance of integrating social media into client-facing tools

> **Whether it's through messaging, text messaging compliantly, or video chat, all of these technologies are now being embraced and people are requiring them. Leveraging great communication tools have become an important part of the advisor experience with the client.**
>
> Darren Tedesco, President at Advisor360°

Communicating through the generation gap

With the largest transfer of wealth in history underway, advisors know that they must adapt the way they communicate with the younger generations. Nearly three-quarters (73%) of advisors say that millennials and Gen Z require a different type of engagement than seniors, baby boomers, and Gen X.

Millennials and Gen Z prefer texting to phone calls and social media to emails. They expect immediate responses rather than waiting on an email—indeed, 12% of advisors say clients expect to be able to reach them via mobile, video, chat, or text anytime and anywhere. This contrast in generations is also visible in that most advisors are over the age of fifty-five. Advisors are expected to engage with a younger generation of clients in a way that will deepen relationships.

In general, do you feel the type of engagement required by younger clients (millennials to Gen Z) is different from what is required by older clients (Gen X, boomers, and seniors)?

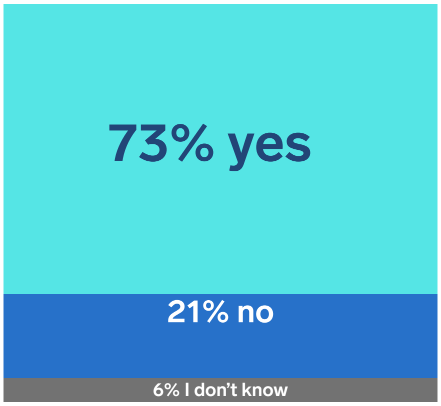


Figure 2.6: Engagement of millennials & Gen Z compared to boomers and Gen X

03 Advisor productivity

Technology should enable advisors and their teams to work smarter, not harder, as the saying goes. Already, technology has been able to reduce the amount of time being spent preparing for client meetings, sharing materials with the home office staff, or preparing for audits, but there is still a ways to go.

Technology advantages that give advisors an edge

Wealth platforms may not be perfect today, but certain aspects of their existing technology are giving advisors an advantage with clients. Advisors are satisfied with their technology capabilities when it comes to focusing on their most important clients (67%) and offering robust financial planning advice and guidance (63%).

How would you describe the impact of your current technology on your ability in the following areas?

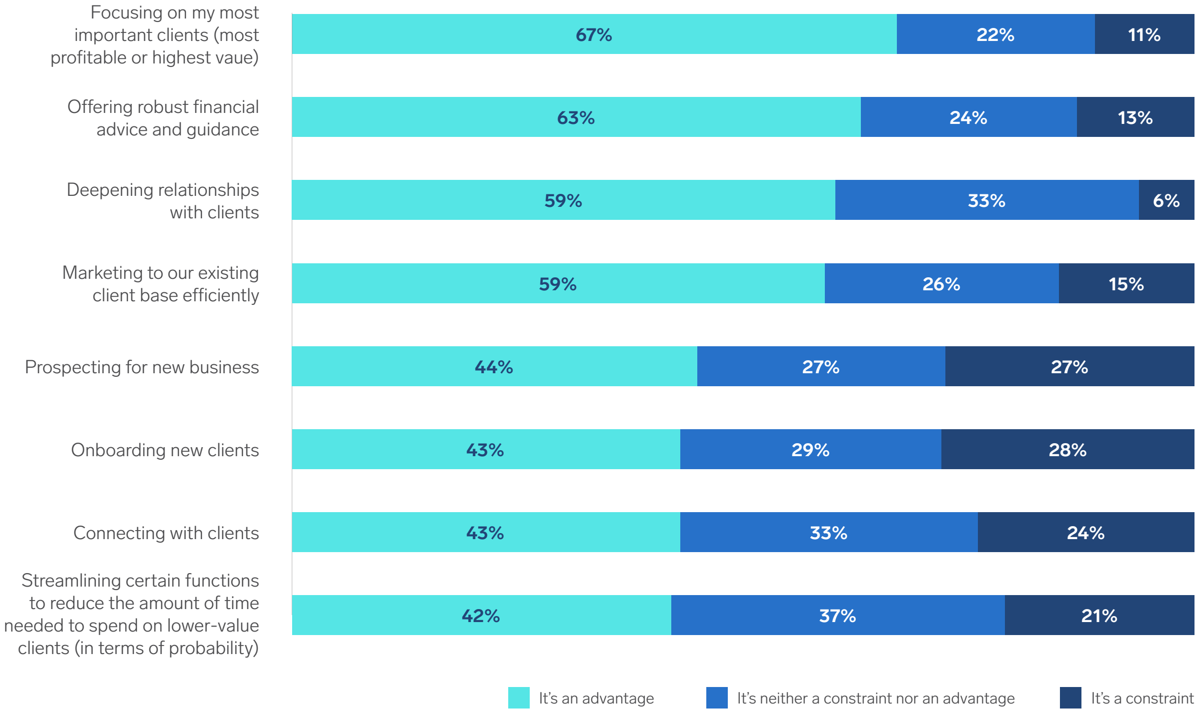


Figure 3.1: Technology as an advantage or a constraint

Advisors also believe their existing technology helps them to deepen client relationships and market to them efficiently (59%), and say it also gives them an edge when prospecting for new business (44%).

But some challenges still remain

Automation stands out as the key challenge advisors face with their existing technology setup. More than half (56%) of respondents point to a lack of automation as the biggest issue with their current platform.

Less time spent preparing reports for client meetings means they have more time to spend on managing other areas of their business and professional development, including staying up to date with financial trends (39%).

Advisors spend an average of two hours per client preparing reports for each client meeting, with more than a quarter (26%) of respondents reporting they spend more than two hours putting reports together.

Interestingly, 41% of respondents list the lack of client capabilities as a challenge. This relates back to our ecommerce example, showing that users want an easy-to-use platform, i.e., access to their full digital wealth profile. Ironically, the ability to automate the client platform would make advisors more efficient and tie these two gripes together. This reinforces the importance of providing clients a complete picture of their financial lives.

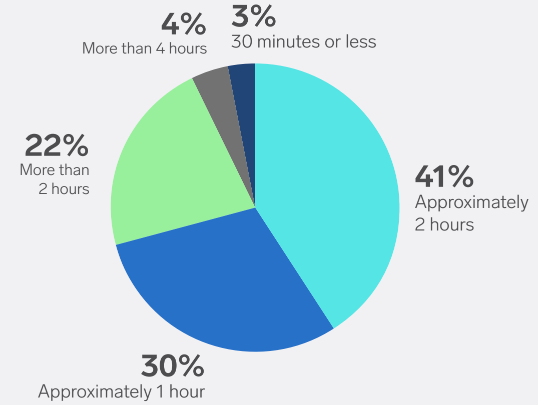
The way forward

Advisors identified four main tools that they use regularly but require an overhaul. At the top of their upgrade list is account aggregation (58%).

Aggregating accounts provide advisors a more holistic view of their client's financial position so that they can make more informed plans and goals. In addition, account aggregation streamlines the onboarding process for clients by increasing automation and drastically reducing—and even eliminating—the time spent on manual steps.

Digital marketing tools (55%) also need improvement. Better software and protocols that account for the SEC Marketing Rule mandates can create more efficient workflows in advisor digital marketing. Keeping messages compliant and archived appropriately saves advisors time and avoids missteps.

How much time does it take to schedule, run, and reconcile reports for a typical client meeting?



It takes advisors two hours on average to prepare reports for client meetings

Figure 3.2: Time spent preparing client reports

I measure how efficient I am by the amount of time I spend...

	Insurance broker-dealer	RIA	Bank trust	Independent/Other broker-dealer	Total
...Keeping up to date with investment/ financial trends	38%	33%	49%	38%	**39%**
...Advising clients	21%	25%	15%	24%	**21%**
...Prospecting for new clients	21%	23%	15%	21%	**20%**
...Preparing financial plans	17%	13%	19%	14%	**16%**
...Doing non-work activities (i.e., leisure, charity, family, other)	2%	5%	3%	3%	**3%**

Figure 3.3: Efficiency measured by time spent

And finally, advisors have identified trading and model management (49% each) as tools that are lacking in function. This is a two-pronged issue that addresses both the functionality of the trading and model management tools as well as the end client output. Upgrading these tools will help advisors report more accurate information in a more user-friendly format for end clients.

What are the key challenges you face with your exisiting technology setup?

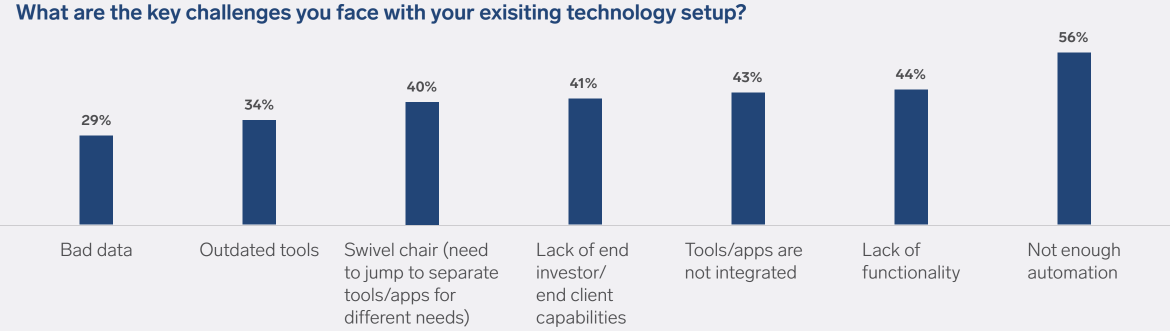


Figure 3.4: Key challenges advisors face with their technology setup

Which of the following technical capabilities do you have, and which would you like to have?

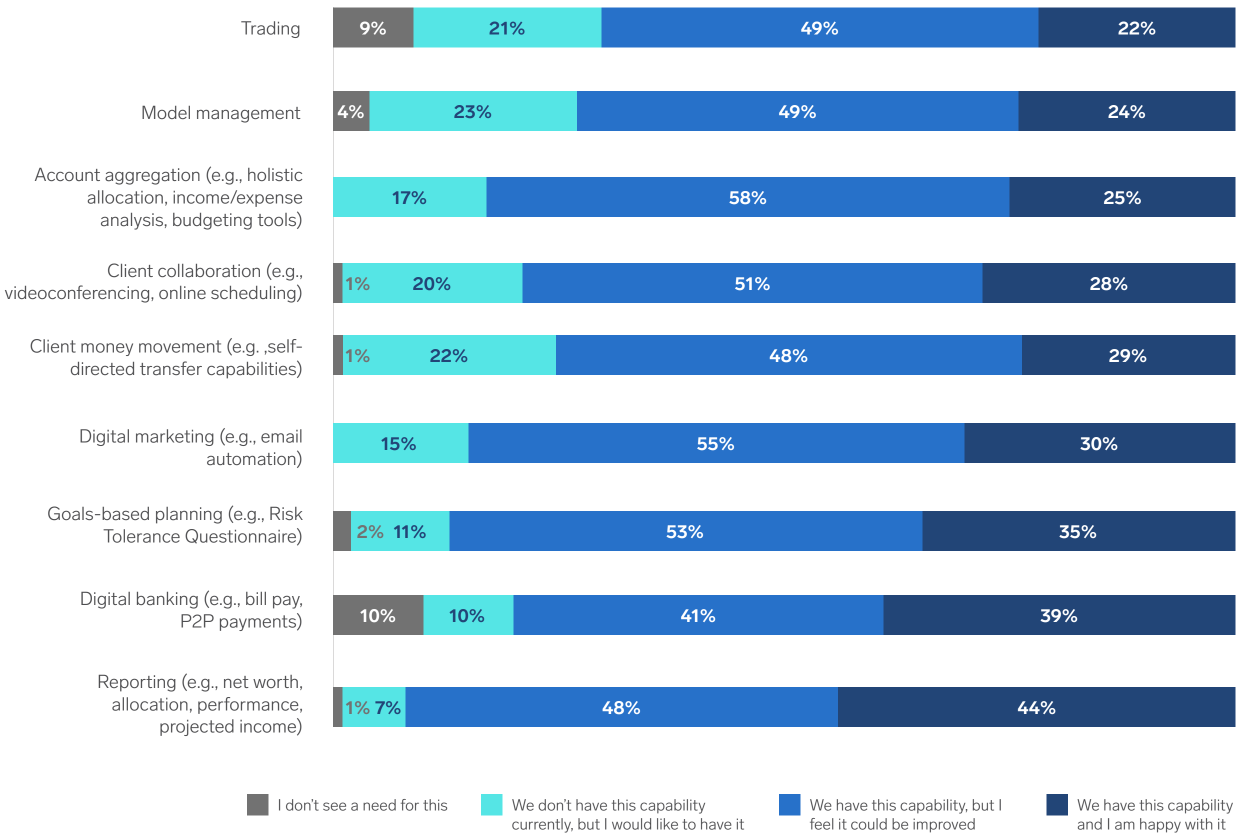


Figure 3.5: Tools advisors use that could see improvement

Conclusion

Digital transformation is more than a buzzword. Though it is only beginning to hit its stride in wealth management, digital transformation is well underway in many industries.

Changing client expectations are driving firms to take a hard look at outdated technology to retain advisors and drive growth. Demand for easy-to-use, ecommerce-like tools, and a desire to be more product educated about the investment process is here to stay.

Firms need to equip their advisors with technology that enables them to advise clients and access investment tools in a way that keeps pace with client expectations. The innovative wealth managers already know that technology is an enabler for client collaboration across generations and effective goal-based planning to safeguard family's futures.

Innovative digital onboarding across asset classes can transform advisor-client engagement, making that initial touch point a seamless process. Embracing newer forms of communication, like secure messaging, social media platforms, and other channels, helps foster relationships with digitally savvy clients, no matter what age or stage in their lives.

In the near future, we expect to see more innovation across the wealth management industry as firms realize ways to improve efficiency while elevating the advisor and client experience. Increased automation and data integration will enable firms to achieve one of their key goals: helping clients manage their financial lives and achieve their wealth goals.

We look ahead to when firms manage, act, and innovate the digital wealth experience.

Action items

Let's bring the conversation full circle. When will we finally witness a sea change and deliver connected digital wealth experiences?

This research has highlighted several areas where technology delivers a significant advantage or that advisors feel it could have a significant impact in the future.

Whether firms are at the beginning of their digital transformation, or well along their journeys, there are specific steps they should take to stay up to date. We've identified a few below.

	Beginner	Intermediate	Advanced
New client relationships	**Data aggregation for held-away assets** Easily input details about clients' specific goals into proposals based on timing and costs; configure assumptions that impact retirement planning	**Quickly and accurately** pre-fill required fields during account opening, eliminating wasteful errors (including annuities)	**Shopping cart experience** for multiple account openings across asset classes
Building deep client relationships	**Clients share documents and update profiles independently** Ability to easily offer clients structured investments, annuities, and long-term care insurance	**Client dashboard that shows family connections and relationships** See and report on their clients' beneficiaries on insurance products, in addition to custody and investment accounts, in a single view	**Seamless client data integration** into financial planning/investment proposals & model management Cross-sell and upsell based on a complete consolidated view of a client's financial life
Advisor and home office productivity	**Document bundling** that detects, enriches, and batches new account documents submitted	**Organize complex sequential activities** into repeatable workflows that can be easily assigned to others	**Batch, schedule, and run** reports for client meetings with a single click across asset classes

What’s next?

Advisor360° plans to continue this research on a regular basis. We feel that it is important to consistently engage executives and advisors about technology so that we can empower them to be successful.

We plan to create additional reports by respondent type (e.g., insurance broker-dealer) and make it available on request. If you’re curious on how executives responded versus advisors, or how broker-dealers and bank trusts stack up against registered investment advisers, let us know!

Advisor360° builds and integrates technology for wealth management firms. The company's award-winning integrated and open architecture SaaS platform brings a connected digital wealth experience to financial advisors, their clients, and the home office so that firms can drive better outcomes and innovate quickly, resulting in increased growth and deeper relationships. Advisor360° clients benefit from timesaving capabilities and streamlined workflows when it comes to portfolio and performance reporting, financial planning, insurance, proposal generation, trading and model management, digital onboarding, document management, analytics, and compliance. The company's proprietary Unified Data Fabric™ (UDF) is the foundation of its platform, weaving together shared services and pre-built integrations that work with existing technology stacks. Today, three million households with $1 trillion in assets benefit from the connected Advisor360° experience.

To learn more, visit advisor360.com