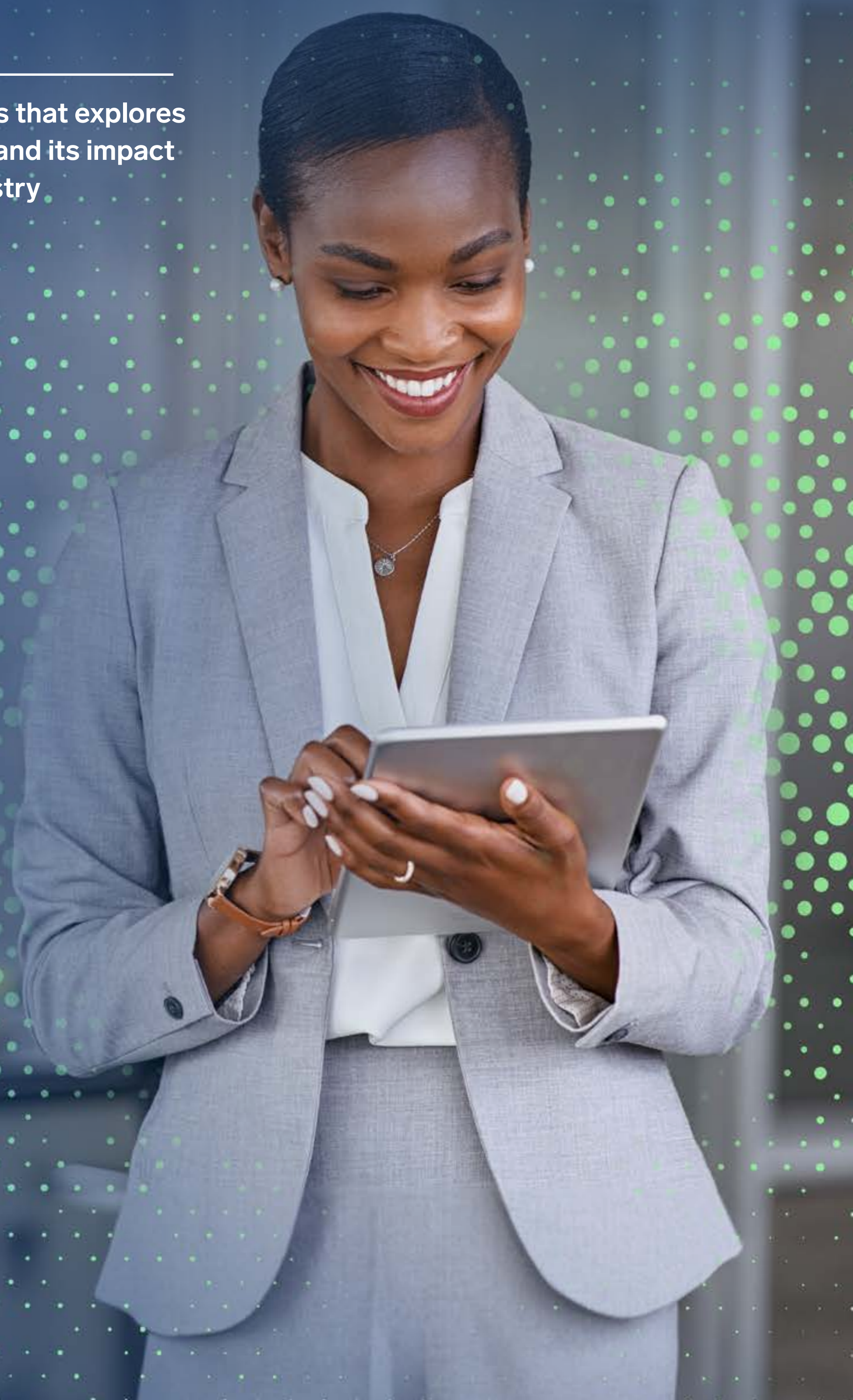
2024 Connected Wealth Report

A survey of 300 financial advisors that explores their perspective on technology and its impact on the wealth management industry



Advisor360°

Welcome

Advisors have new opportunities to reach unprecedented levels of productivity across their practices. As a result, the chance to grow organically and serve more households has never been higher. These productivity gains will largely be unlocked through technology and fueled by data. On the flip side, a lack of these tools within firms is quickly becoming a talent deal breaker—and advisors are voting with their feet.

Now in year three of our ongoing research for this award-winning series, we again engaged advisors to learn how technology impacts their satisfaction and growth potential. As you might expect, they didn't hold back. Advisors noted that outdated technology is a chief concern. They also flagged data quality as being a cornerstone of productivity and a key to enabling trust and deeper client relationships. Unfortunately, 61% of financial advisors agree that "bad data" is the primary obstacle they face today.

Nearly 11,000 advisors representing more than 156,000[1] years of experience left their firms from December through September of 2023. Why? The data, as well as ongoing research and engagement with executives, consultants, and advisors, suggests it has a lot to do with technology and how data is or is not leveraged to galvanize relationships with clients. While we know technology can be expensive for enterprise wealth management firms to purchase, deploy, and adopt, the cost of doing nothing is substantial when you view it through the lens of the immediate and future revenue impact of losing advisors and the households they serve.

Enabling and maintaining innovative solutions is no easy feat—but it's essential. And it starts with the data your firm is using. We know the true power of data emerges when it is carefully designed, displayed, and presented to empower decision-making between the advisor and the client. Our research shows that advisors often must manually collect, calculate, and collate days-old data from various sources. After that, they rely on presentation tools to transform complex data into insights that are easily digestible and actionable for the households they serve. This becomes the bridge between financial advisors and their clients, fostering a collaborative environment where decisions are made with confidence and trust. That's why it's imperative for firms to provide their advisors with a tech platform that's powered by clean, consistent, timely, and trustworthy data that allows them to be more efficient and effective.

The right technology choices bring both the data and tools together to unleash productivity like we've never seen before. But there is a caveat to this. Firms need to choose the right technology partners—ones that are forward thinking and creating tech for younger generations of investors and advisors alike.

Leaders within enterprise wealth management firms have some tough decisions to make when it comes to technology: Build, buy, bypass, or partner? These are the same decisions that have been around for years, and they haven't gotten easier. Can enterprise wealth management firms afford to take the bypass option and let their advisors walk away because of corporate inertia? Or will they be bold and usher their firms forward by choosing a build, buy, or partner approach? In this report, we explore the tech that is driving the evolution of our industry and what advisors have to say about it—where the problems lie, what can be fixed, and what needs to be added to allow them to grow. If these findings resonate with you, or if you would like to join the conversation, connect with me on LinkedIn and tell me what you think.

Sincerely,

Jeff Schwantz
CRO, Advisor360°

@jeffschwantz

1. Discovery data (MarketPro) from January to September 2023. Comparison of prior firm to current firm. Excludes firms that were acquired or those who merged legal entities.

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Research concept

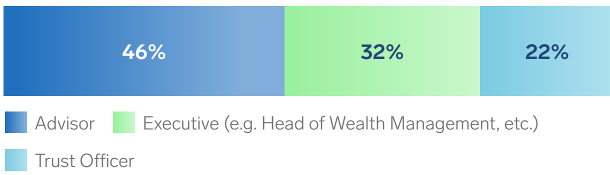
Advisor360° surveyed 300 financial advisors and executives at enterprise wealth management firms in the U.S. to better understand their perspective on the impact of technology on their business. Responses were collected via a telephone- and email-based survey fielded during September and October 2023. Respondents were from firms with an average of $9 billion in assets under management and more than 1,000 employees.

The survey for the 2024 Connected Wealth Report was conducted by Coleman Parkes Research on behalf of Advisor360°. Advisor360° and Coleman Parkes are separate and unaffiliated organizations.

About the respondents

Figure 0.1

JOB ROLE



Average assets under management:

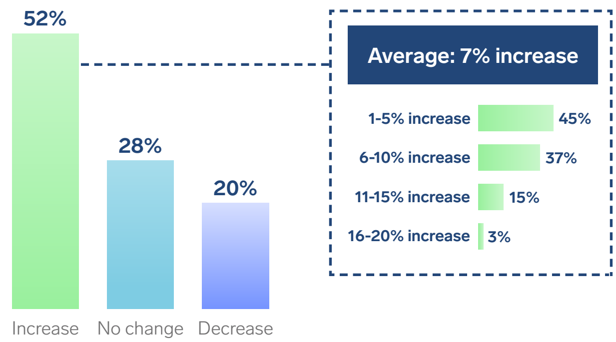
$40 million

Average age of respondents:

36 years, 7 months

CHANGE IN NEW CLIENT ASSETS

Thinking about your own book of business, what was the percentage change in your inflow of new client assets under management in the last financial year?

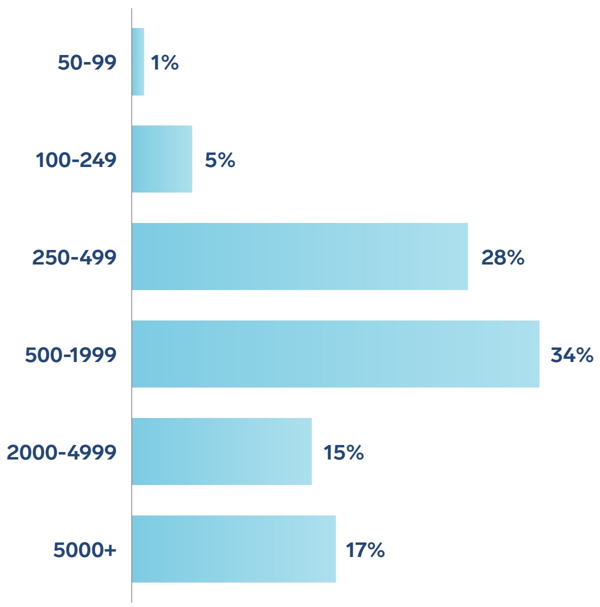


About their firms

Figure 0.2

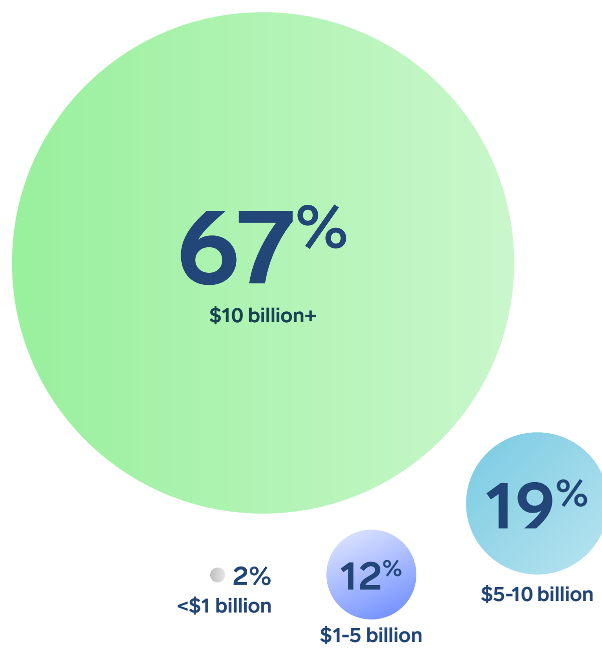
NUMBER OF ADVISORS EMPLOYED

How many advisors are employed at your broker-dealer/RIA/ bank overall (not just in your individual office)?



VALUE OF FIRMWIDE ASSETS UNDER MANAGEMENT

What is the total value of assets under management at your firm?



Preface

Innovation is pushing wealth management firms to evolve or perish.

As technology transforms every facet of wealth management, advisors need access to advanced solutions to merely remain competitive. Now more than ever, they are willing to leave their current employers in favor of firms that provide tools to fuel efficiency and enable growth. How can enterprise wealth managers remain ahead of the steep change curve? Our research identifies the urgent deficiencies in technology solutions, outlines strategies for keeping advisors engaged, and proposes how they can meet the demands of today's increasingly sophisticated clients.

Artificial intelligence is a central solution

Our research reveals that advisors are embracing artificial intelligence (AI) and automation. In fact, they view generative AI and automated workflows as the keys to becoming more productive. Clients, too, are looking to these and other powerful capabilities to provide a wider lens into their full financial lives. Firms need to upgrade their existing tech stacks to increase productivity and free up time for advisors to focus on deepening their client relationships.

The next generation of essential tech is here

There was a time when firms considered social media and mobile communication to be beyond the scope of how advisors should interact with clients and prospects. Today, X (formerly Twitter) and LinkedIn are table stakes firmwide, and mobile use among advisors is standard, not only for client communication but also for trading and reporting. Likewise, today's younger advisors and clients understand that fast, reliable data is the backbone of the firm.

As these and other essential solutions continue to evolve, firms need to update their tech infrastructure. The chapters that follow provide surprising insights into what advisors say they need to support firmwide efficiency and growth now and in the future.

01

Advisors are leaving firms because of bad technology

Takeaways | Advisor and Client Retention

1. There is a direct connection between advisor retention and technology, underscoring the urgent need for firms to embrace cutting-edge tools.

2. Many advisors have lost clients due to subpar tech and some have gained business due to a competitor's lackluster technology.

3. Advisors are calling for increased efficiency across client onboarding, marketing, prospecting, and financial plan development.

Advisors are increasingly aware that gaps in technology can affect their livelihood. They are no longer interested in waiting for their firms to catch up—and are willing to vote with their feet to access the tools they need to boost their business. Citing a range of concerns from unreliable data to inefficient onboarding, a staggering 92% of the advisors surveyed said they would switch firms over bad tech.

> **"Firms have practical levers they can pull to retain advisors—many of these involve investing in technology and innovation."**
>
> Jeff Schwantz, CRO, Advisor360°

There is a clear link between advisor retention and technology, including a firm's ability to attract advisors. In fact, of advisors willing to leave, 44% have already switched firms and the remaining 48% would consider such a move.

Would you change employers because of substandard wealth technology provided at work?

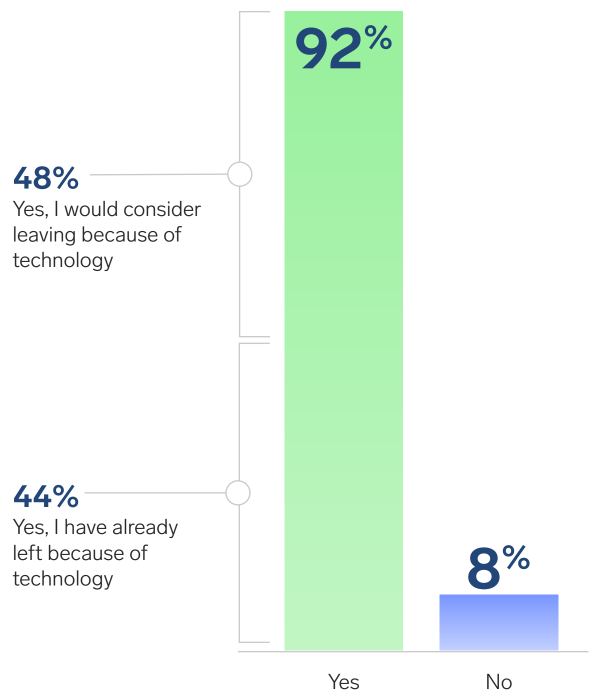


Figure 1.1 Advisors are willing to leave over bad tech

Clients are also transitioning away because of technology issues

If advisor attrition isn't reason enough to enhance your tech stack, there's much more to the story. Advisors say their clients are also willing to take their assets elsewhere if a firm's technology is not up to par—58% of advisors have lost clients and prospects due to tech troubles.

Already a savvy cohort, our study indicates that investors increasingly expect firms to offer accessible client portals, faster onboarding, and easier means to communicate with their advisors. In other words, innovation equals vastly improved client satisfaction.

"Nearly 11,000 advisors representing more than 156,000[2] years of experience left their firms from December through September of 2023. That attrition is expected to surpass 2022, when nearly 11,300 advisors representing more than 184,000 years of experience departed. Why? The data, as well as ongoing engagement with executives, consultants, and advisors, suggests it has a lot to do with technology and how data is or is not leveraged to galvanize relationships with clients."

Jeff Schwantz, CRO, Advisor360°

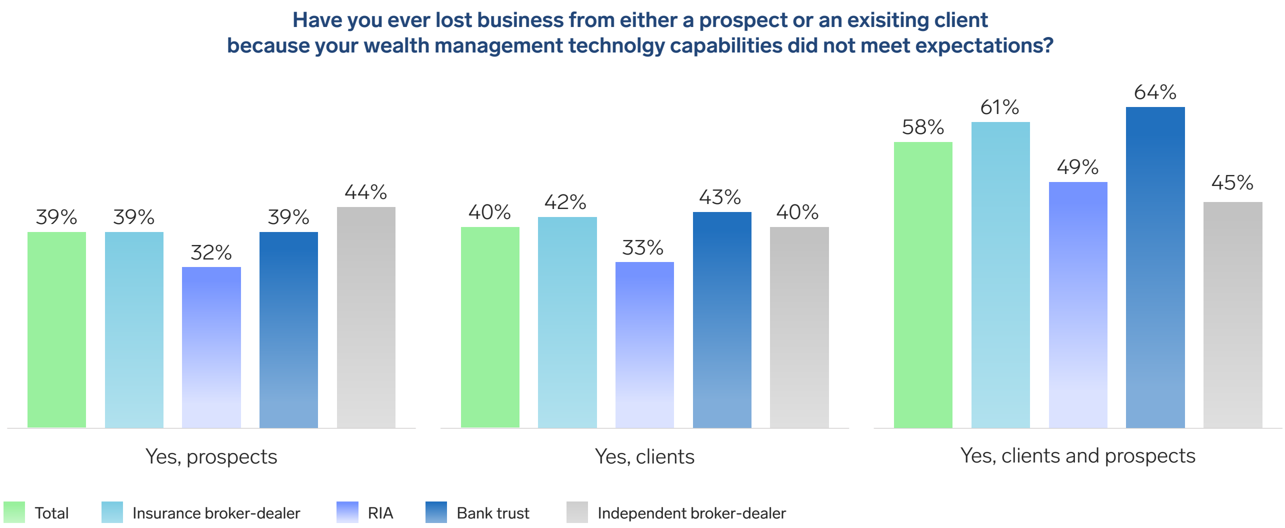


Figure 1.2 Loss of business due to poor wealth management tech

Asked *when* they lost business, 60% of advisors say it occurred in the last year, with 92% saying it occurred in the past two years. This tells us that the failure to innovate is costing firms plenty over time. Expensive tech is not the problem—advisor attrition and a loss in AUM due to lackluster tech is.

Figure 1.3 Bad tech drives business out the door

Factors contributing to lost business

There is some debate among advisors about where the biggest gaps lie in their tech stacks and what's contributing to the lost business. Forty-one percent of advisors fault the back-office, indicating a need for better data integration and solutions like e-signatures and seamless gifts and entertainment disclosures, and 38% suggest that front-office tech is the culprit, calling for improved client portals and secure texting. What's clear is that both the front- and back-offices have technology gaps that are leading to lost business—which creates an advantage for firms that have access to the best platform of tools and solutions.

2. Discovery data (MarketPro) from January 2022 to September 2023. Comparison of prior firm to current firm. Excludes firms that were acquired or those who merged legal entities.

> **"The enhancements made to allow advisors to open new investment and insurance accounts with one signature, and fund accounts faster with asset transfers from multiple sources, raise the bar on opening new accounts."**
>
> Jeff Schwantz, CRO, Advisor360°

For those who lost business, which aspects of your wealth management technology did not meet expectations?

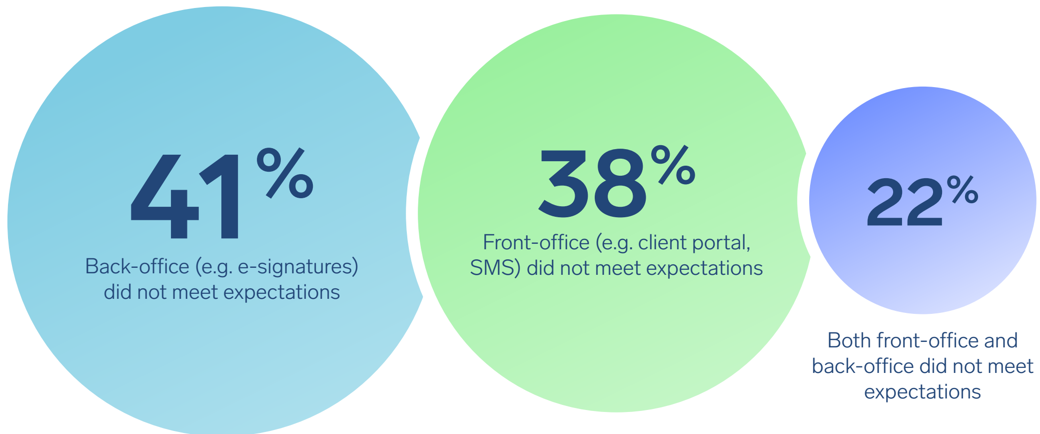


Figure 1.4 Advisors cite problems across-the-board

Improved technology would be advantageous for the entire company.

Advisors identify new client onboarding as the top area they believe needs to be "more efficient," but marketing and prospecting and financial plan development are close behind.

In which area would you most like to become more efficient?

1. Client onboarding
2. Marketing/prospecting
3. Financial plan development
4. Document gathering
5. Preparing reports and client meeting prep

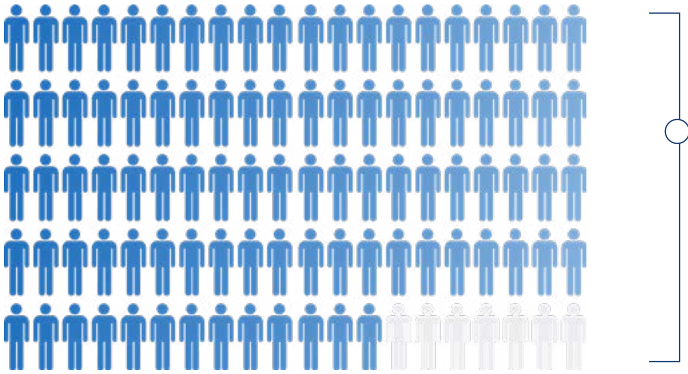
Figure 1.5 Areas where advisors want to be more efficient

Gaining a competitive advantage

Technology plays a big role in building new business. The good news is that 43% of advisors report gaining new clients due to another advisor's lackluster technology. In fact, 93% of advisors who rate their tech as modern/state-of-the-art say they've acquired clients from competitors. In other words, technology is a big part of what separates satisfied clients from the rest.

Our research draws a straight line from technology to advisor and client retention in wealth management. The important subtext is that employing a flexible, end-to-end wealth management platform is the best way for advisors to dramatically improve their level of client service while increasing their overall productivity.

Have you gained clients as a result of another advisors' insufficient technology?



93%

of advisors who rate their tech as modern or state-of-the-art gained new clients from competitors

Figure 1.6 Better tech gives advisors a clear advantage

Next Steps:

- Involve your advisors in discussions about your firm's tech stack to understand where their pain points are
- Examine your client-facing technology—including client portals and the onboarding process—to ensure they are efficient and accessible
- Use your leading-edge tech stack as a selling point to attract and retain advisors and clients

02

Data and automation are fundamental to any technology upgrade

Takeaways | Enhance Advisor Productivity

1. Advisors are looking for firms to invest in technology that saves them time and improves efficiency.

2. Bad data is the number one problem advisors face, followed by a lack of automation.

3. Automating routine advisor workflows is a surefire way to boost productivity.

Technology preferences turn on a dime in every industry—and wealth management is no exception. Last year, 39% of advisors said their tech needed an upgrade, while 61% thought it was modern/state-of-the-art. This year we saw a jaw-dropping reversal: 65% of advisors say their tech needs improvement (including 20% who say it's very outdated) while just 35% say it's modern/state-of-the-art. This shift in thinking is a warning sign, indicating that firms that fail to invest in technology solutions that make their advisors more productive—and better able to satisfy their clients—run the risk of being left behind.

> **"Advisors have high expectations for their technology. At the same time, some point solutions (i.e. those that are built to solve a single problem) have under-delivered on the sought-after integrated wealth experience."**

Jeff Schwantz, CRO, Advisor360°

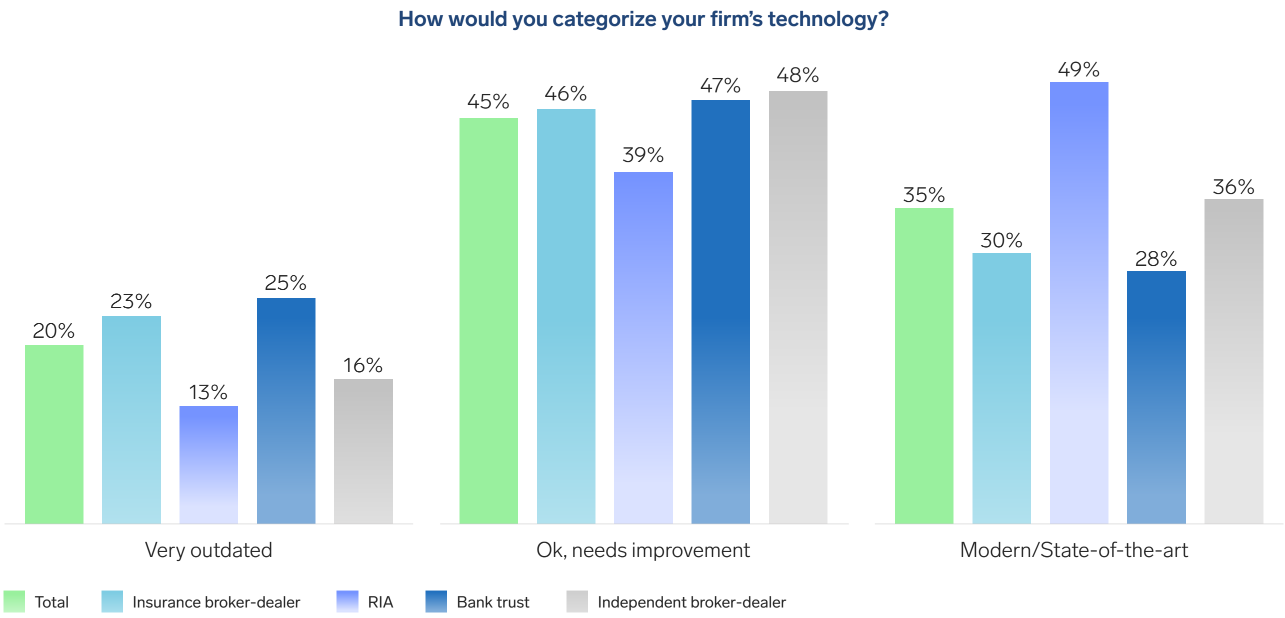


Figure 2.1 Most advisors call their existing tech mediocre

Data is the primary obstacle

Advisors surveyed rate bad data (61%) as the number one challenge they face with their current technology setup. Clean, consistent, and comprehensive data is foundational for advisors. They don't want to waste time sorting out competing data and making sure their information is correct—and presenting incorrect data to clients is a surefire way to lose their trust (and assets).

"When it comes to data, advisor fatigue is real. They often need to collect, collate, and calculate data and they don't have the tools to do it."

Jeff Schwantz, CRO, Advisor360°

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

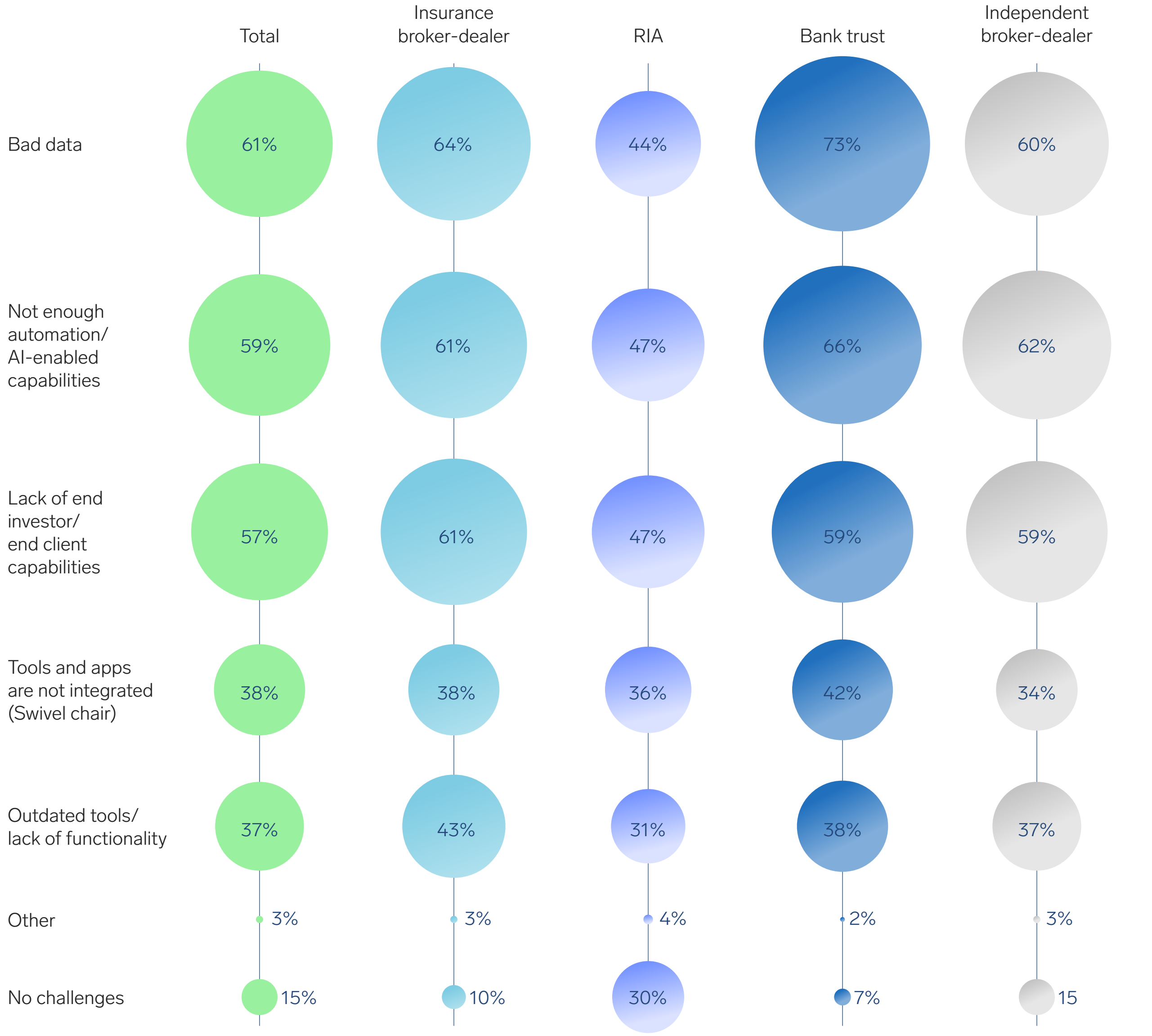


Figure 2.2 Key challenges advisors face with their technology

Advisors want increased automation

The second key challenge with existing technology is a lack of automation or AI-enabled tools (59%). Advisors don't want to waste their time performing routine tasks. They want to focus on building deeper relationships with clients and bringing in new ones.

As we first reported in the *2024 Connected Wealth Report: AI & the Next-Gen Advisor,* advisors aren't afraid of being replaced by AI. Rather, they believe AI has tremendous potential to simplify their day-to-day operations. Eighty-four percent of those surveyed see AI-enabled platforms and automation benefiting front- or back-office tasks, or both. It's easy to imagine a world where AI takes on routine tasks to streamline the advisors' workflow, like scheduling appointments or sending out follow-up emails, allowing them to spend more time focusing on their clients rather than the minute details.

The deep connection between data and automation/AI has an outsized impact on the way firms and their advisors operate. Without clean and consistent data, software output is inherently flawed, compromising the effectiveness and reliability of automated workflows for enterprise wealth firms.

Which part of your business will benefit most from automation/AI-enabled tools?

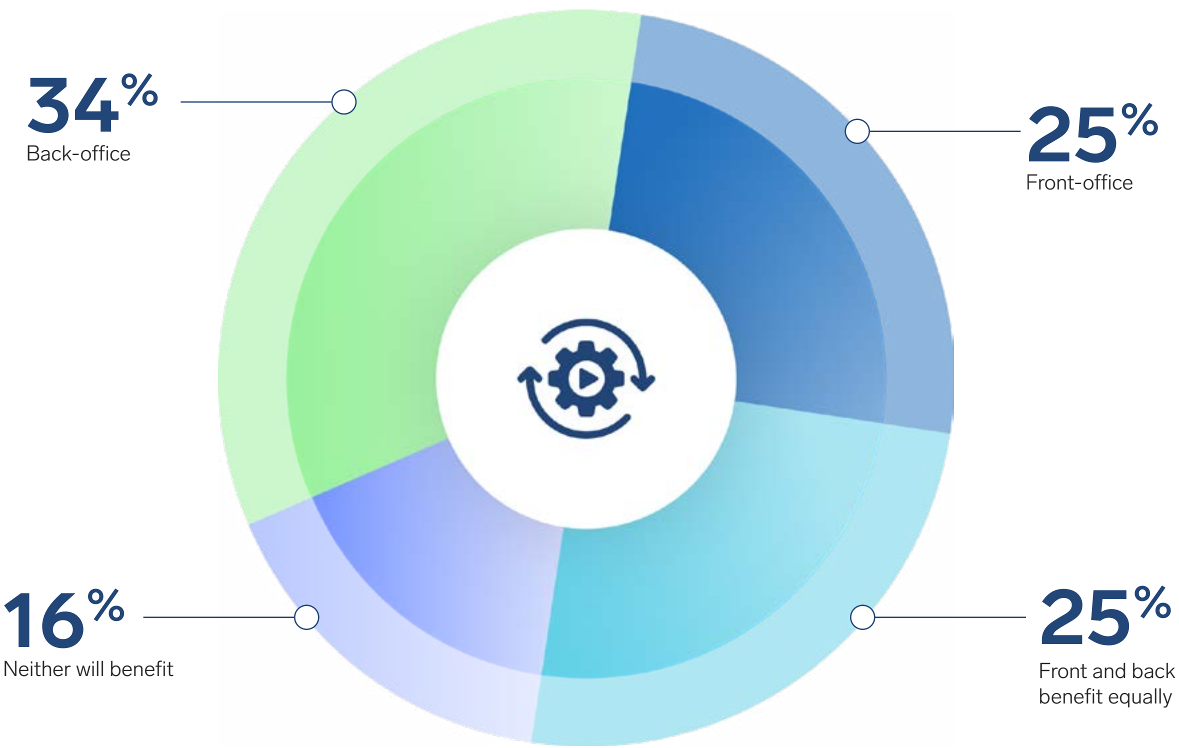


Figure 2.3 Where advisors see AI and automation benefiting their business

Clients want a more accessible digital experience

Advisors identified a lack of end investor/client capabilities (57%) as their third key technology challenge. Where's the gap? Not surprisingly, advisors say clients want an accessible digital experience that gives them a single, holistic lens into their complete financial lives. Even beyond accessibility, a comprehensive approach (portfolio performance, insurance policies, physical asset tracking, statements, tax integrations, etc.) increases transparency and creates a path for advisor-client collaboration.

Figure 2.4 Typical time spent preparing for meetings per month

Time-saving tools will boost advisor productivity

Advisors in our survey say they spend approximately four hours preparing for a typical client review meeting—that translates into 75 hours a month on average. Imagine the time saved if advisors decrease that by a third through the automation of tasks such as scheduling and report creation. That's 25 extra hours a month to spend training junior staff, connecting with prospects on social media, and engaging in professional development.

Advisors put it plainly: they see technology as a path to productivity. With that as the lens, employing AI and providing clean, consistent, and comprehensive data become obvious solutions. These are not only convenient time-savers for advisors, they are also ways to build business and increase trust with clients.

Next Steps:

- Invest in a solution to cleanse and correct your data to make it consistent across all views, products, and applications
- Employ AI to accelerate and off-load routine tasks in the front- and back-office
- Provide clients with an accessible digital experience that gives them a single, holistic lens into their complete financial lives

03

Must-have technology that attracts and retains advisors

Takeaways | Essential Tools and Tech

1. Mobile applications and social media tools are considered "must have" by advisors.

2. There is no one-size-fits-all social media tool. Advisors need to become well-versed in multiple platforms to reach all audiences.

3. Firms need to future-proof their tech stacks to satisfy younger clients who stand to inherit assets from the current wealth holders.

Technology must keep pace with the needs of younger advisors and their clients. With that in mind, firms should be adding tools to help next-gen advisors transfer assets from current wealth holders to those who stand to inherit it. Below are some of the things that our 2024 survey respondents said would move the needle.

> **"We know that wealth is being passed down to Gen X and millennials—we need to start tailoring technology and experiences for these investor households."**
>
> Jeff Schwantz, CRO, Advisor360°

Mobile communication is important

Most of us keep our mobile devices within reach 24/7 and advisors are no different. Sixty-eight percent of advisors surveyed rely on their mobile devices daily for client communication, as well as workflow and task management, client reporting, trading, and prospecting for new business. How can firms help? They should provide advisors with guidelines and secure tools to help them manage their clients via their mobile devices.

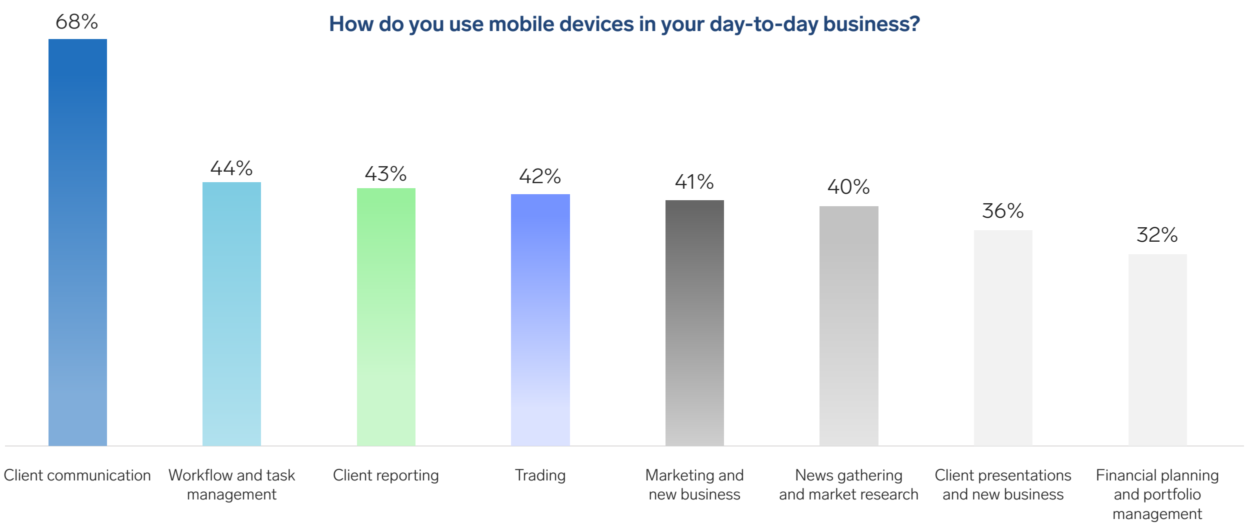


Figure 3.1 Mobile device usage for day-to-day business

Add multiple social media tools

The advisors in our survey resoundingly approve of integrating social tools into their firms' platforms. In fact, none are in favor of not having any social media access at work. Sixty-four percent said LinkedIn should be integrated into their tech platforms and 63% said the same for X. When it comes to which social media channels advisors should frequent, the answer is all of them. As client demographics shift to become more diverse in age, wealth advisors need to meet them where they are.

"The rise in social media as part of an advisor's tech stack is not surprising when you look at the amount of 'finfluencers' offering advice on everything from mortgages to retirement plans."

Jeff Schwantz, CRO, Advisor360°

Which of the following social media do you think should be integrated with tools on your platform?

Figure 3.2 Social media channels advisors want integrated into their platform

Future proof your communication tools

Advisors are well-aware that communication preferences vary based on a client's age. For example, 61% of advisors say that video conferencing is more effective than in-person meetings for younger clients, whereas older generations feel more comfortable meeting in-person. That said, remote or virtual meetings may become the norm as upwards of $80 trillion of wealth shifts from older Americans to millennials, Gen X, and younger baby boomers over the next 20 years.

In your experience working with clients, are video-conferences more, less, or equally as effective as in-person meetings for the following groups?

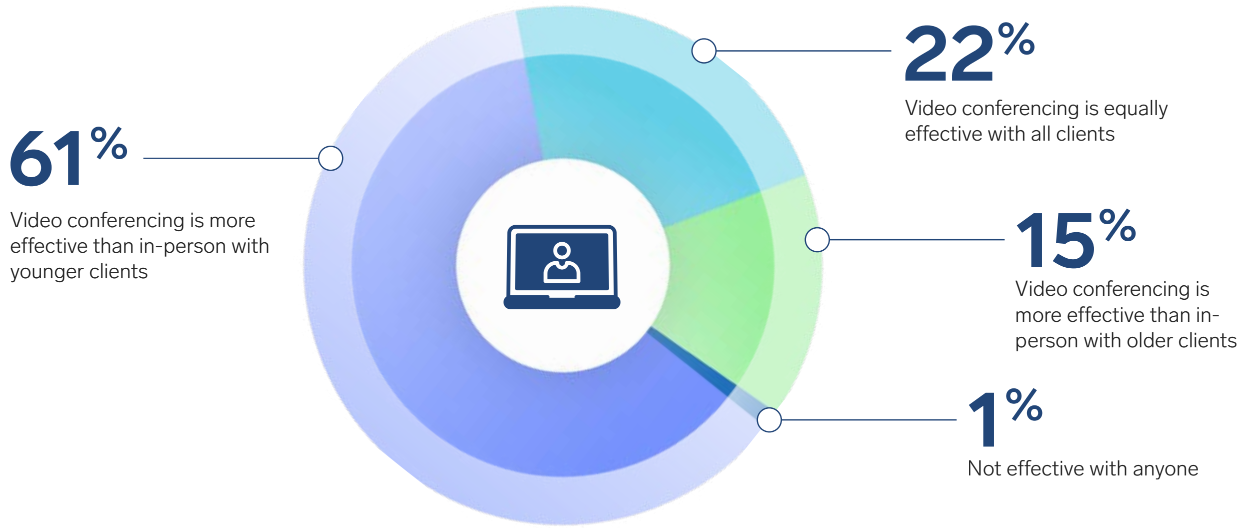


Figure 3.3 Video conferencing effectiveness by age

Advisors also believe that a more hands-off approach can be effective with younger clients, with 47% saying they require less communication or engagement than their older counterparts.

Which of the following best describes how the communication/engagement needs of younger clients (millennials to Gen Z) compare with older clients?

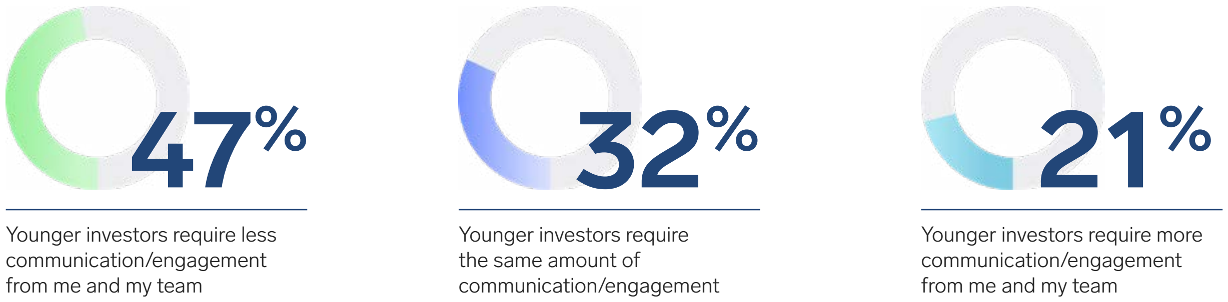


Figure 3.4 Communication and engagement needs of younger clients (under 40) vs. older (over 40)

Next Steps:

- Support advisors' ability to use mobile devices for client communication, trading, prospecting, and more
- Give advisors the tools and training they need to market to prospects across multiple channels
- Build trust and loyalty by factoring client preferences and age differences into how you communicate

Conclusion

Advisor preferences and perceptions about technology present an opportunity for firms. It's time to implement tech that saves advisors time, enhances productivity, and satisfies clients—or risk losing advisors and their clients to competitors.

As today's younger advisors become their firms' principal business builders, the need to keep pace with technology and innovation will only grow.

Firms need to provide a wealth management platform that is seamless, intuitive, and efficient. Their advisors need data that is accurate so they can draw out meaningful insights that benefit clients. All of this will help firms and their advisors take their financial planning capabilities to the next level, deepening existing relationships and improving trust, talent, and asset retention.

Executive teams need to ask themselves what they stand for. Do they want to preserve the status quo or will they embrace innovative solutions that bring their firm forward?

Jeff Schwantz, CRO, Advisor360°

Action items

The advisors and executives in our survey presented a clear call-to-action for firms. Advisors want their employers to support their growth and productivity through investments in better technology tools.

Improve Productivity

Artificial intelligence

Employ AI to accelerate and off-load routine tasks in the front- and back-office and include advisors in policy/strategy.

Automation

Use automation to streamline advisor workflows—decreasing time spent running reports and onboarding clients.

Enriched data

Provide data that's not just aggregated but also clean, consistent, and correct, with access to insights at the advisor's fingertips.

Mobile

Provide advisors with wealth management software on-the-go for client communication as well as trading and client reporting.

Boost Growth

Advisor retention

Update your tech stack and use it as a tool to attract and retain advisors. Talk to advisors about their tech preferences and understand client pain points.

New business

Reliable data and an innovative and accessible tech stack can provide a competitive advantage—use them to win clients away from competitors.

Marketing upside

Support, guide, and train advisors to use social media platforms for prospecting, marketing, and communication within compliance guidelines.

Revenue boost

Improve tech to give advisors a user-friendly, accessible way to sell in order to increase sales of all products.

Read all of our Connected Wealth Reports on our hub

Advisor360.com/resources/connected-wealth-data-hub

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

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