

# Bringing it All Together: Accelerating Asset Growth with a Unified Wealth Architecture

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A CEB White Paper Commissioned by

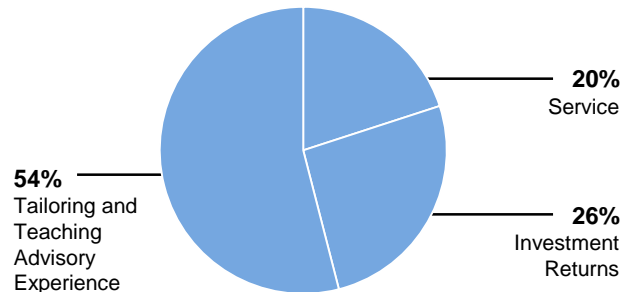


## 1. Wealth Management Clients Want Tailored Advice

# 54%

*of surveyed high-net-worth (HNW) clients indicate that an advisory experience based on tailoring and teaching (insight-driven, customized, holistic advice that motivates the client to take action) drives loyalty more than any other offering, including investment returns and service.*

**Figure 1: Relative Impact in Explaining Client Loyalty**  
Global, 2014



*n* = 593.

Source: CEB 2014 Small Business Owners Survey.

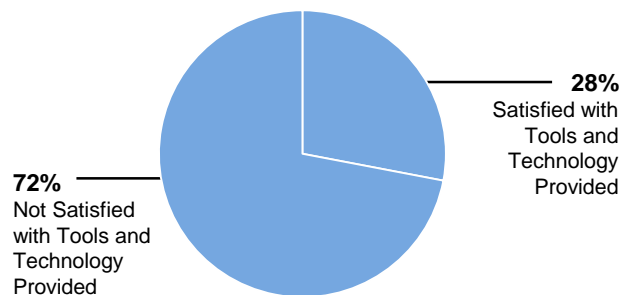
Note: Percentages are a share of the combined influence of investment returns, service, and advisory experience in explaining loyalty.

## 2. Firms Need to Arm Advisors with Improved Tools

# 72%

*of surveyed executives believe that their advisors are not satisfied with the tools their firms provide to support the advisory experience, including advice delivery, ease of advice, execution of a defined advisory process, and client-facing technology to enhance the advisory experience.*

**Figure 2: Level of Satisfaction with Advisory Tools**  
Executive Assessment, 2014



*n* = 44.

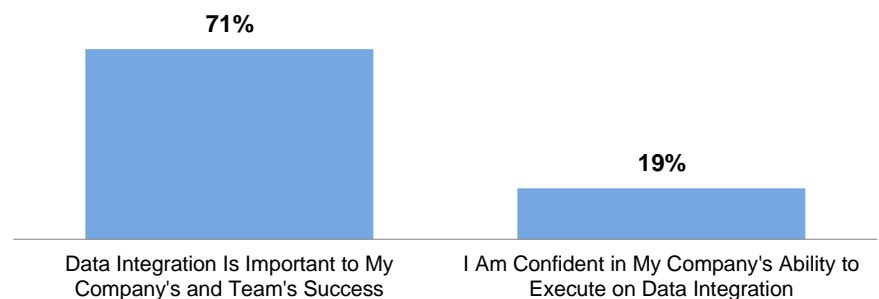
Source: CEB 2014 Advisory Experience Diagnostic.

## 3. Data Integration Is Both a Priority and a Challenge

# 71%

*of surveyed executives indicate that data integration is the most important data-related activity when it comes to their company's and team's success, but only 19% feel confident in their ability to execute on that activity.*

**Figure 3: Importance vs. Confidence**  
"Important/Very Important" and "High/Complete Confidence," 2014



*n* = 218.

Source: CEB 2013–2014 FSI Survey.

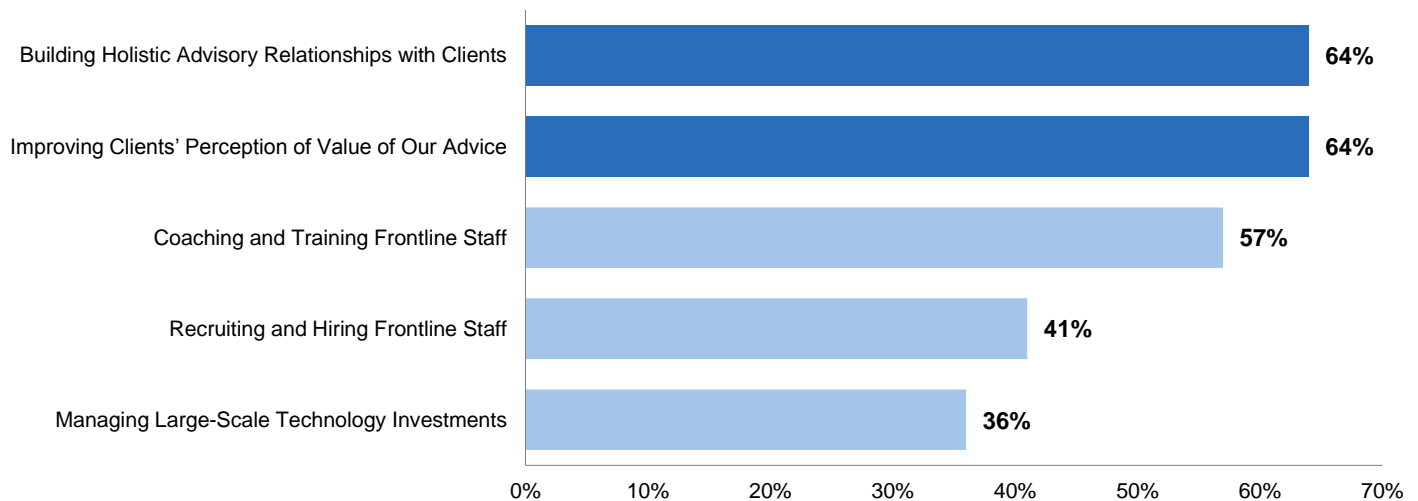
## Executive Summary

Providing a strong financial return on investments is still the most valued action advisors can do for their high-net-worth (HNW) clients; however, clients are increasingly demanding that their advisor also deliver a more tailored and personalized advisory experience. Advisors that demonstrate high levels of tailoring and teaching (providing insight-driven, customized, holistic advice that motivates the client to take action) are more likely to be recommended by their clients, hold a larger portion of their clients' assets, and be their clients' primary advisor. Although wealth firms recognize these benefits of providing a holistic advisory experience, 84% of firms believe that their advisors are not effective at engaging clients in advisory conversations. To better engage with their clients, advisors need better tools, as only 11% of senior executives believe that the tools their advisors have provided are effective.

To create the holistic wealth experience that clients demand, firms need to access and integrate data from multiple sources, yet struggle to do so. Data integration is the biggest obstacle for advisors to provide more tailored and personalized advice, and less than one-fifth of surveyed executives are confident in their ability to aggregate internal and external data for their advisors and clients. Recognizing this, FIS commissioned CEB TowerGroup to create this White Paper exploring trends in creating an integrated and tailored wealth solution.

**Figure 4: Percentage of Wealth Management Firms Ranking Each as Very Important for Business Performance in the Next 18 Months**

*Global, Top 5 Responses Included, 2014*



*n* = 44.

Source: CEB 2014 Advisor Experience Diagnostic.

Note: Other answers include improving financial capabilities, implementing goal-based planning strategies, and managing organizational change effectively.

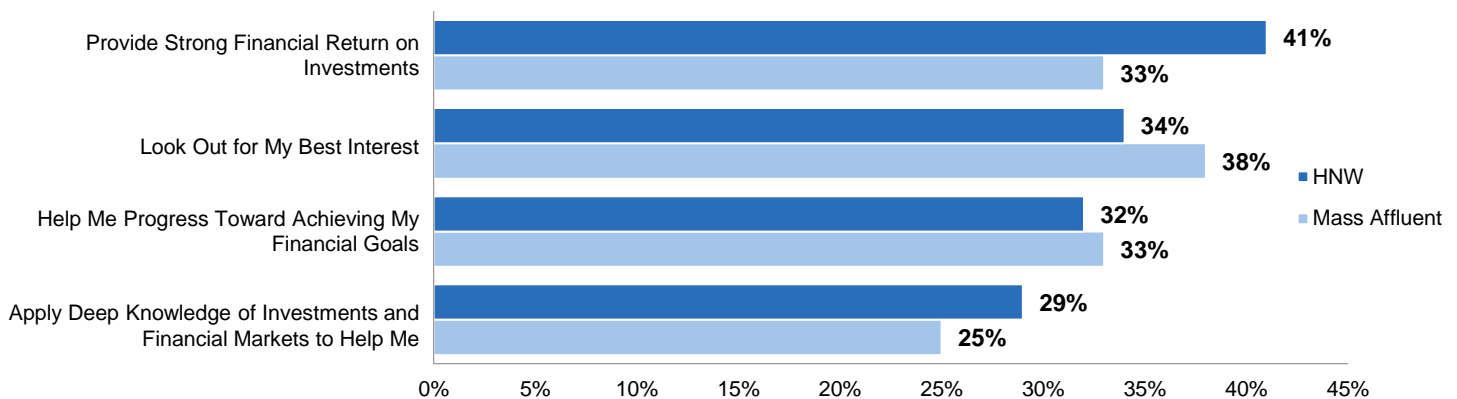
To capitalize on the importance of an integrated approach to wealth management, financial institutions should:

- 1. Tailor Advice to Serve Client Needs.** Learn that although clients still value investment performance, they also desire continuous and holistic advice built on tailoring and teaching.
- 2. Equip Advisors with Appropriate Tools.** Explore current obstacles and examine the investment others are making in various wealth tools to help improve the advisory experience.
- 3. Focus on Data.** Understand data's role across the wealth lifecycle and uncover approaches to utilize data from within and outside of your organization.
- 4. Adopt an Integrated Approach.** Create a blueprint for the ideal wealth management platform and work to integrate the most important components in the near term, while continuously focusing on the long-term integrated vision.
- 5. Choose Partners Carefully.** Research vendors, third-party rankings, and client opinions to gain a better understanding of integrated solutions available today.

## I. Tailor Advice to Serve Client Needs

Historically, financial advisors were measured on how well the investments they selected for their clients performed, and thus performance measurement was a main area of focus. This will always be an important aspect of the advisor/client relationship, as HNW clients still chose a strong financial return on investments as the number one attribute they value most from the things their advisor can do for them (Figure 5). Many also expect their advisor to apply a deep knowledge of investments and financial markets to help them. That being said, **it is also very important to HNW clients (and of most importance to mass affluent clients), that their advisor looks out for their best interest and helps them progress toward achieving their financial goals.**

**Figure 5: Select Two Things You Value Most About What Your Financial Advisor Can Do for You**  
Percentage of Respondents, Top 4 Responses Included, 2013

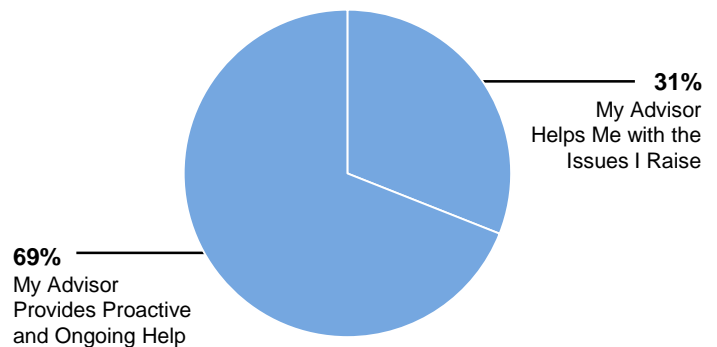


n = 160.  
Source: CEB 2013 Client Experience Survey.

Again, this doesn't mean that performance is no longer important. In fact, when asked if they preferred to have their portfolio measured against a benchmark or their personal goals, most surveyed clients (42%) had no strong preference either way. Of those that did, goal-based performance (35%) edged out benchmark performance (23%), but the reality is that most clients can benefit from both forms of measurement.

One thing that is clear, however, is that clients are no longer looking for episodic advice that focuses on transactions or immediate needs. For instance, in a recent survey of clients, 62% indicated that they prefer advice to help them better manage their overall financial situation. In addition, clients no longer want to reach out to advisors and tell them their needs, but instead expect their advisors to manage their assets and financial goals on an ongoing basis. This is demonstrated by the fact that when asked about their advisory conversation preferences, **69% of surveyed clients indicated that they prefer that their advisor provide proactive and ongoing help** (Figure 6).

**Figure 6: High-Net-Worth Client Preference for Initiation of Advisory Conversations**  
Global, 2014

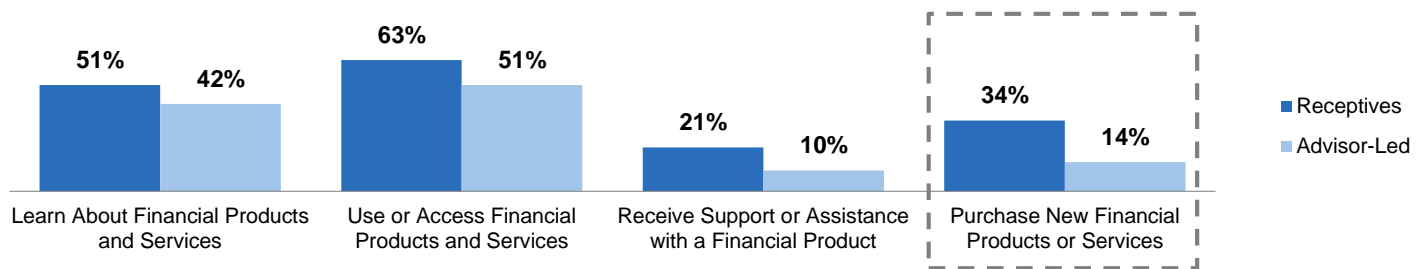


n = 379.  
Source: CEB 2014 Small Business Owners Survey.

This shift toward a more holistic approach to wealth management highlights the client need and demand for advice that is customized and tailored to their individual goals. The ability to tailor advice for individual clients meets a pressing client need, as the vast majority of clients state that tailoring and teaching drives loyalty, more than service or even investment returns (Figure 1).

Additionally, tailoring and teaching helps advisors prove their value and differentiate themselves from other advisors on more than just pure portfolio returns. This is becoming more important as portfolio construction gets commoditized by algorithms and automated advice engines. It is not surprising that **the majority of surveyed executives (59%) are concerned that robo-advisors will negatively effect their business over the next five years**. By supporting a tailoring and teaching environment, firms can move beyond simple portfolio management and customize portfolios to meet various client needs and goals. This is not to say they don't need to keep moving forward from a technology front, however, as client preference for online interactions continues to grow (Figure 7).

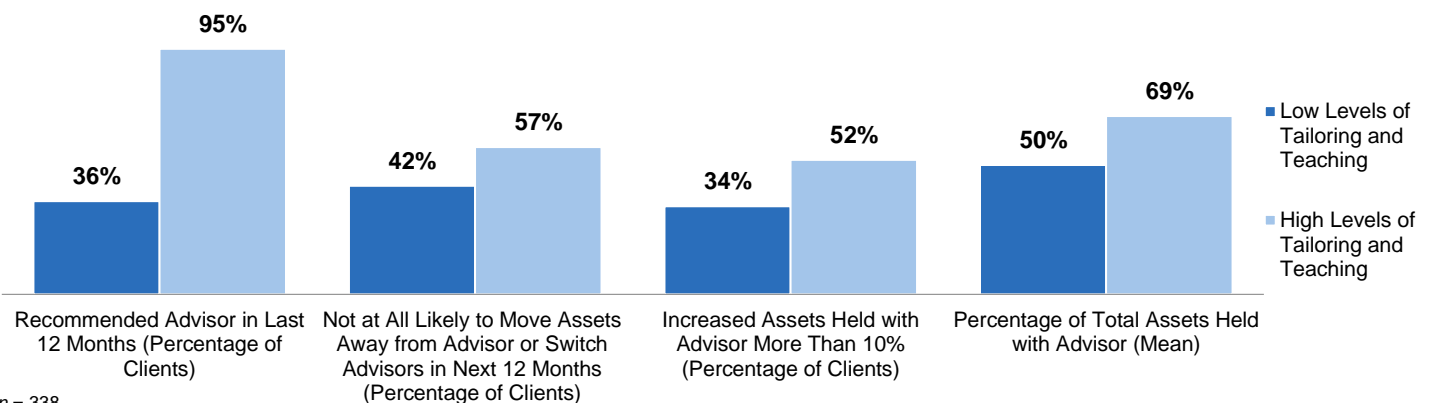
**Figure 7: Preferred Channels for Select Financial Interactions**  
*Percentage of Respondents Selecting Online or Mobile, North America, 2013*



*n* = 824 (Advisor-Led), 223 (Receptives).  
 Source: CEB 2013 Customer Experience Survey.

**Line-of-business heads realize the environment is changing, as indicated by 61% of surveyed executives identifying motivating clients to act on advisory recommendations and 71% identifying implementing goal-based planning and investment strategies as highly important or critical priorities over the next 6-12 months.** Advice built on tailoring and teaching not only helps to meet these priorities, but also creates noticeable benefits for both advisors and wealth management firms. This is demonstrated by the fact that the vast majority (95%) of clients who indicated their advisors demonstrated high levels of tailoring and teaching had recommended their advisors in the last 12 months, as opposed to just slightly more than a third of those clients who recommended advisors that did not tailor and teach (Figure 8). Obvious benefits were also demonstrated by the fact that clients of advisors who tailor and teach were far less likely to move assets, far more likely to increase assets held with their advisor, and more likely to hold the majority of their assets with their advisor, thus making that advisor their primary advisor.

**Figure 8: Effect of Advisory Experience on Select Loyalty Outcomes, by Level of Tailoring and Teaching**  
*Global, 2014*



*n* = 338.  
 Source: CEB 2014 Small Business Owner Survey.  
 Note: Predicted loyalty levels were calculated in a regression analysis controlling for gender, investable assets, country, and age cohort.

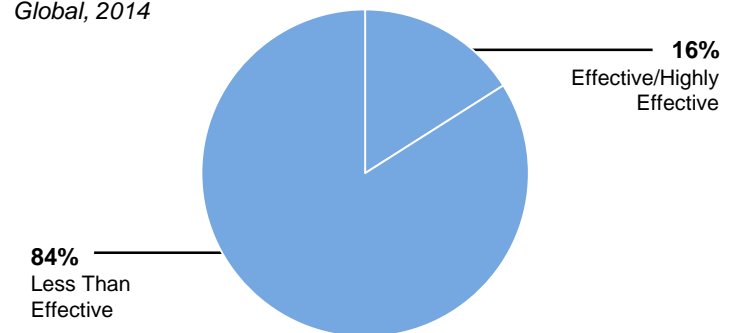
Becoming a primary advisor has been increasingly more challenging however, as from 2001 to 2013, the number of clients holding 60% or more of their assets with one advisor dropped from 75% to 59%. Tailoring and teaching will help advisors maintain primary advisor status and even grow assets, as **advisors who demonstrate a high level of tailoring and teaching manage account balances that are 40% higher than advisors who don't** (average account balance is 2.8 million as opposed to 2 million).

## II. Equip Advisors with Appropriate Tools

Wealth firms understand that clients desire a holistic approach to their finances, and that benefits to adopting this approach are tangible. However, **the vast majority of firms (84%) believe that their advisors are not effective at engaging clients in advisory conversations throughout the year** (Figure 9). This is partly because advisors tend to focus on traditional advisory approaches, and 86% of executives believe that advisors demonstrate the value of their advice through the presentation of investment performance versus benchmarks. In contrast, only 25% of executives say that advisors use backward-looking scenarios to show the impact of advice or present on progress toward specific goals.

**Figure 9: Executive Rating of Advisor Effectiveness at Engaging Clients in Advisory Conversations Throughout the Year**

Global, 2014



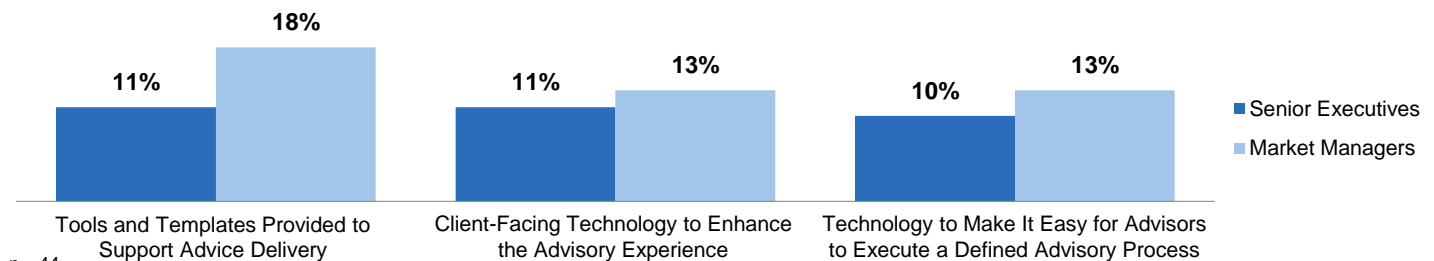
n = 44.

Source: CEB 2014 Advisory Experience Diagnostic.

Wealth firms are part of the problem, however, as less than a quarter (23%) require their advisors to introduce a defined set of advisory issues to their clients, and most firms (77%) only require their advisors to meet with their clients once a year; hardly the ongoing, holistic approach clients desire. **Although 65% of executives believe their advisors do not take full advantage of available advisory tools, close to 90% also believe that the tools they have provided are currently ineffective** (Figure 10).

**Figure 10: Firm Resource Effectiveness for Advisors**

Percentage of Executives Indicating Resource is "Effective" or "Very Effective", 2014



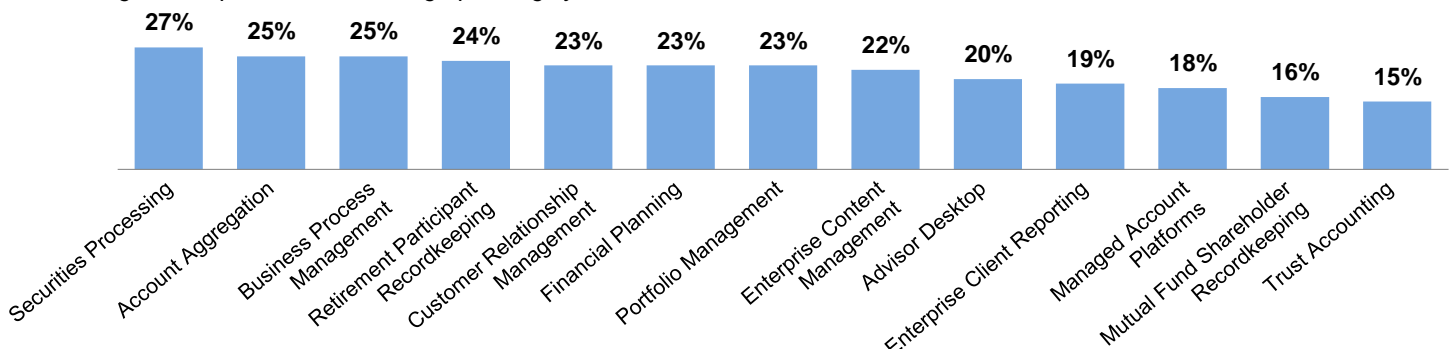
n = 44.

Source: CEB 2014 Advisory Experience Diagnostic.

Fortunately, wealth firms are focusing on improving the tools that advisors require to perform the daily tasks of an effective advisory relationship. **Not only are at least 1 out of every 4 firms adopting and replacing key technologies, but many firms are also increasing technology spend by 2% or more across multiple front- and back-office platforms** (Figure 11).

**Figure 11: Significant Spending Increases by Technology**

Percentage of Respondents Increasing Spending by 2% or More, 2015



n = 44.

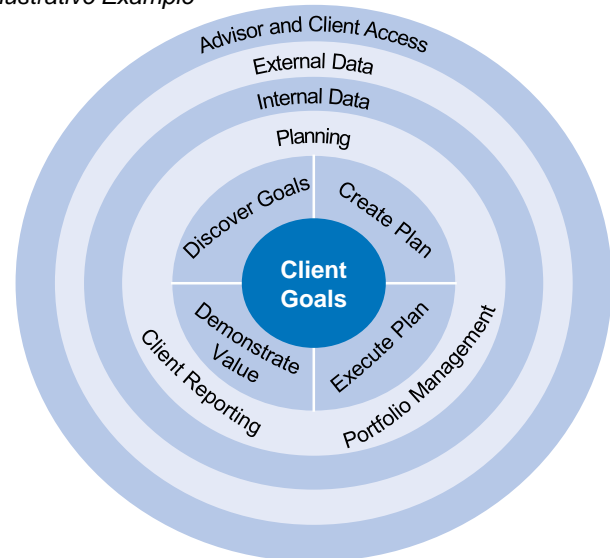
Source: CEB 2014 Advisory Experience Diagnostic.

### III. Focus on Data

Although wealth firms are investing in advisor-supporting technology, they run the risk of not improving the situation if they don't look at each component as part of a larger and complex system. To truly service clients holistically, advisors need access to data from various front- and back-office systems, as well as potential third-party providers (Figure 12). Add in the complexity of displaying that data to multiple users (advisor, management, compliance, operations, client, etc.) on multiple devices (desktop, portal, tablet, etc.) and one can see why **71% of surveyed executives chose data integration as their most important data-related activity, yet only 19% feel confident in their ability to execute** (Figure 3).

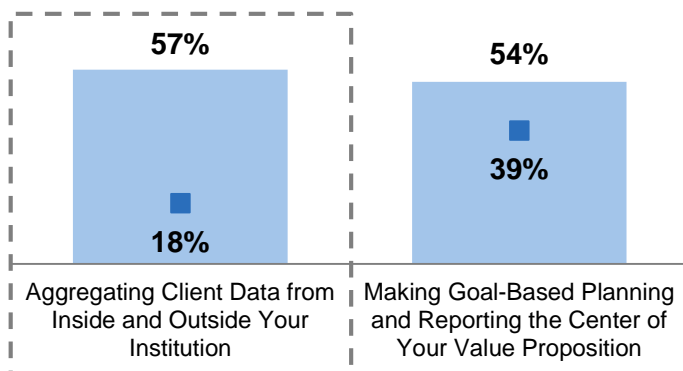
**Figure 12: Technology Capabilities to Start a Goal-Based Shift**

*Illustrative Example*



Source: CEB analysis.

**Figure 13: Priority Versus Confidence Scores**  
*“High/Critical Importance” and “High/Complete Confidence”, 2014*

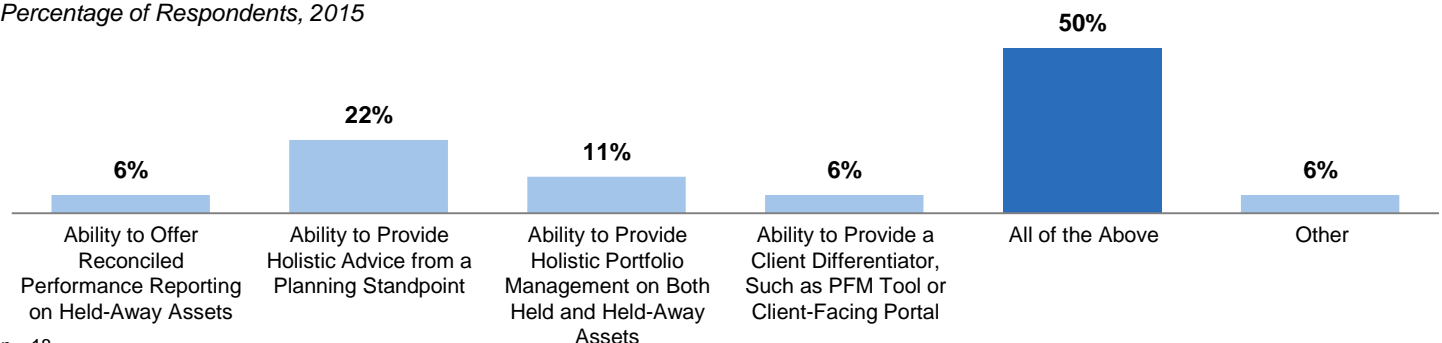


*n* = 27.  
 Source: CEB TowerGroup 2014 Wealth Management Agenda Poll.

This gap between importance and confidence continues across other data focus areas as well, such as aggregating client data from inside and outside of the institution. This initiative is of equal importance to wealth firms as making goal-based planning the center of their offering. Unlike planning, however, where almost four out of ten executives displayed confidence, **only 18% of surveyed executives feel confident in their ability to aggregate internal and external data for their advisors and clients** (Figure 13).

As firms attempt to help their advisors regain primary advisor status with their clients, they look to aggregation tools to improve the holistic advice offering. The fact that half of surveyed executives are looking to aggregation solutions to improve performance reporting, financial planning, portfolio construction, and client-facing solutions demonstrates that firms are hoping for a quick fix to their integration needs. However, the reality is that an aggregation tool—or in most cases, multiple aggregation tools—are only a small slice of the overall integrated platform necessary to provide the holistic advisory experience both advisors and clients desire.

**Figure 14: Desired Results of Implementing Account Aggregation Capabilities**  
*Percentage of Respondents, 2015*



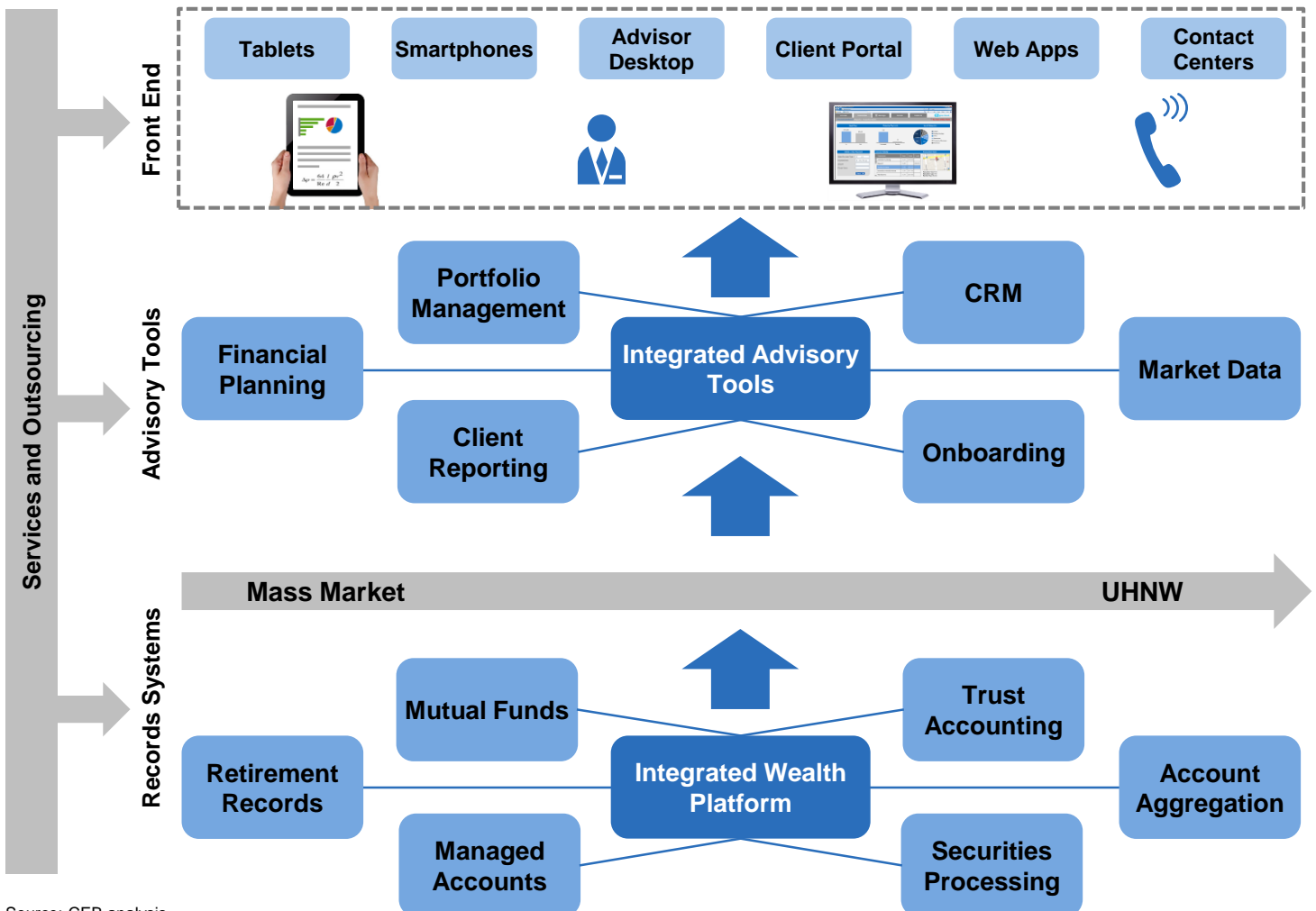
*n* = 18.  
 Source: CEB 2015 Wealth Technology Showcase Survey.

## IV. Adopt an Integrated Approach

The challenge of bringing all necessary components of an integrated wealth solution together is one that wealth firms have struggled with for years, and one that becomes increasingly difficult as clients become more digital, products become more complicated, and advice becomes more holistic. When just looking at the portfolio management platform component for instance, firms have varied approaches to support the wealth management division. In a recent survey, 6% of firms were content to keep separate platforms for trust, brokerage, private bank, etc., while 22% were looking for one platform that could support accounting, trading, and reporting for all wealth management activities. Double that number (44%) are fine with separate platforms, but desire a dashboard that can pull together the data from multiple sources. With 28% unsure, it becomes obvious that firms need to access and integrate data from multiple sources to create the wealth experience they desire for both their advisors and clients, but they are uncertain as to how to achieve this goal.

In an ideal world, wealth managers could take data from multiple core accounting platforms to support any client (mass market, affluent, HNW, ultra HNW, etc.), any employee type (registered representative, investment advisor representative, trust officer, relationship manager, compliance officer, manager, etc.), any product type (managed accounts, trust accounts, brokerage accounts, retirement accounts, etc.), feed into and receive feeds from any advisory tool (portfolio management, financial planning, CRM, etc.), and ultimately present that data to advisors and clients via multiple channels so that the experience is consistent (Figure 15).

**Figure 15: Architecture of an Integrated Core Systems Suite**  
*Illustrative Example*



Source: CEB analysis.



## V. Choose Partners Carefully

CEB TowerGroup Wealth Management frequently evaluates different technologies accessed by advisors, clients, and enterprise-level users across the wealth space. Although every firm’s culture and operating model requires close evaluation of solutions that meet their individual needs, CEB’s Technology Analyses can help firms evaluate important components of an integrated wealth solution. FIS has participated in multiple wealth management technology assessments, and the summarized results are highlighted below:

**Figure 16: Summary of CEB Technology Analyses Featuring FIS**  
*Wealth Management Technologies*



Source: CEB analysis.

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