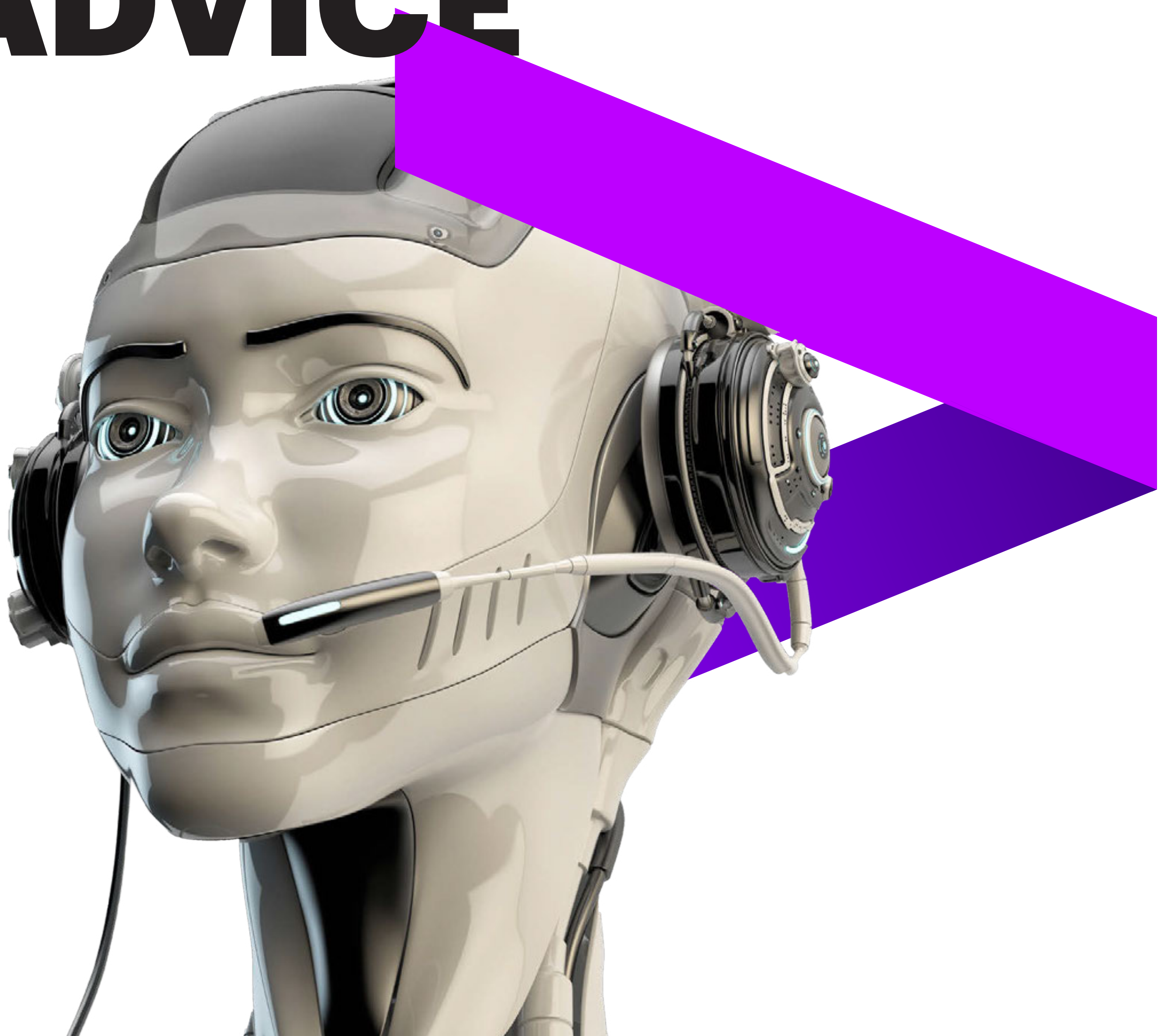
accenture consulting

THE NEW FACE OF
WEALTH MANAGEMENT

IN THE ERA OF HYBRID ADVICE



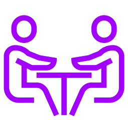
ONE-SIZE-FITS-ALL MODELS ARE A RELIC OF THE PAST

While the robot versus human debate garners headlines, the future is not an either/or scenario. Rather, it is an ampersand—humans & robots.

For years, wealth management advice meant a client paired with a dedicated human advisor. More recently, as robo-advice, or algorithms, have become today's hot topic, many have chosen the technology-only route, citing the lower cost and 24/7 access it provides.

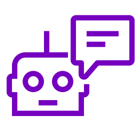
While the robot versus human debate garners headlines, in our opinion, the future is not an either/or scenario. Rather, it is an ampersand—humans & robots. Neither alone constitutes the future of wealth management advice. New Accenture research shows clients prefer hybrid models—a combination of humans and digital capabilities. Firms that provide an automated platform with periodic access to a human advisor rank as the most preferred scenario across a range of investor profiles. Combining the best of both worlds—the low cost and access of robo-platforms with an advisor's expertise in handling more nuanced or complex investing scenarios—hybrid firms ranked higher than all others in several dimensions critical to customer loyalty and satisfaction, from "customized service" to "low-cost products."

CURRENT WEALTH ADVISORY MODELS



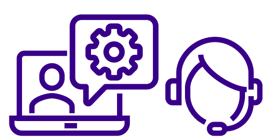
Traditional advice

Human advisors offering one-to-one, product-based counsel.



Robo-advice

Algorithm-based platform provides advice based on client goals.



Hybrid models

Clients have access to digital tools that facilitate self-investing, but also can tap into human advice on a periodic basis, or as necessary.

Source: Accenture

Investors want flexibility.

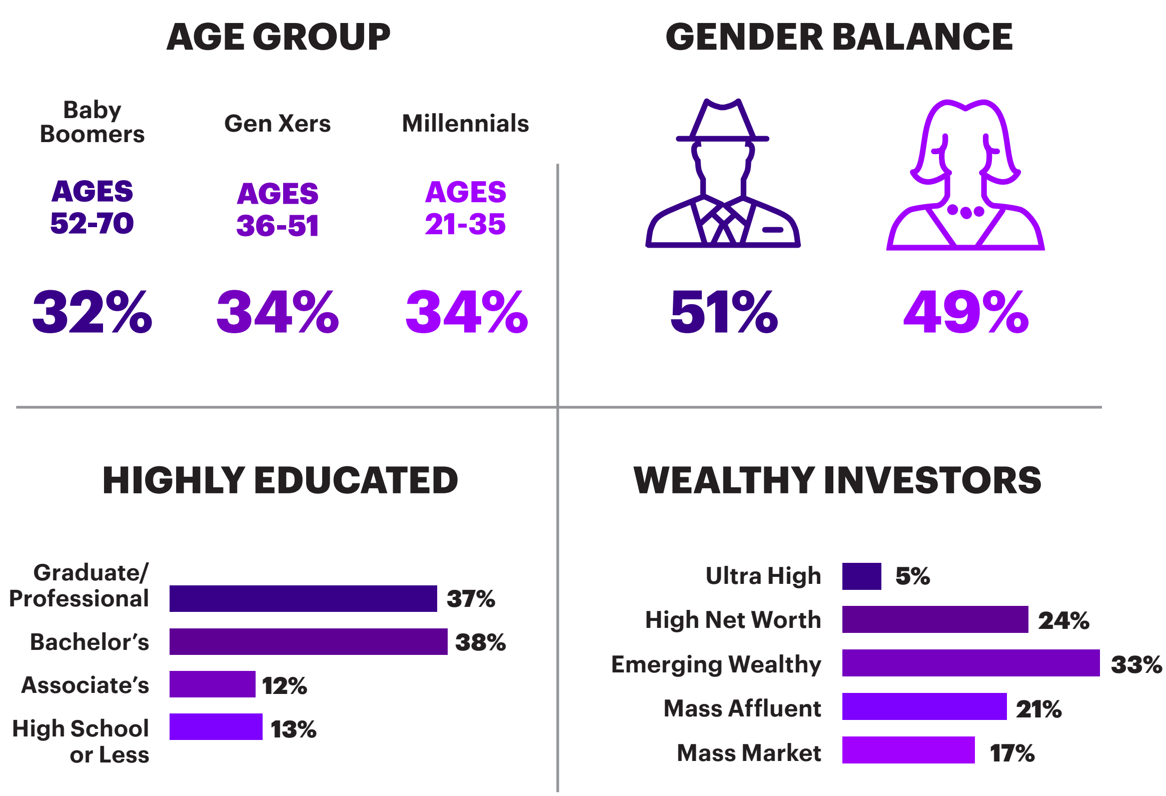
While our research shows most investors are satisfied with their current models, this moment in time is more an indication that wealth managers have done an excellent job of identifying the needs of various client profiles than a sign that change going forward will not be necessary. Change will indeed be necessary, as the future mainstay of the wealth management business—Millennials and Gen Xers—tends to use mainly the hybrid model. Our study also showed that 68 percent of Emerging Wealthy and High Net Worth investors already prefer hybrid models to a traditional advice model.

Firms large and small are realizing investors want flexibility. Almost four in every 10 investors in our survey said they would never take advice from their financial advisor without first consulting another source. For Millennials, that number jumps to five in every 10 investors. Serving a changing client base—in a variety of demographics and all asset classes—therefore requires a fluidity in the approach.

Myriad examples exist, but the bottom line remains the same: Firms that want to remain competitive will likely need to address a mix of advisory styles. And they will need to get there quickly to address changing client needs.

What follows is what over 1,300 investors told us in our survey about their views on digital wealth management, the value of human advisors, and why both are necessary to a successful wealth management practice.

OUR SURVEY RESPONDENT PROFILE

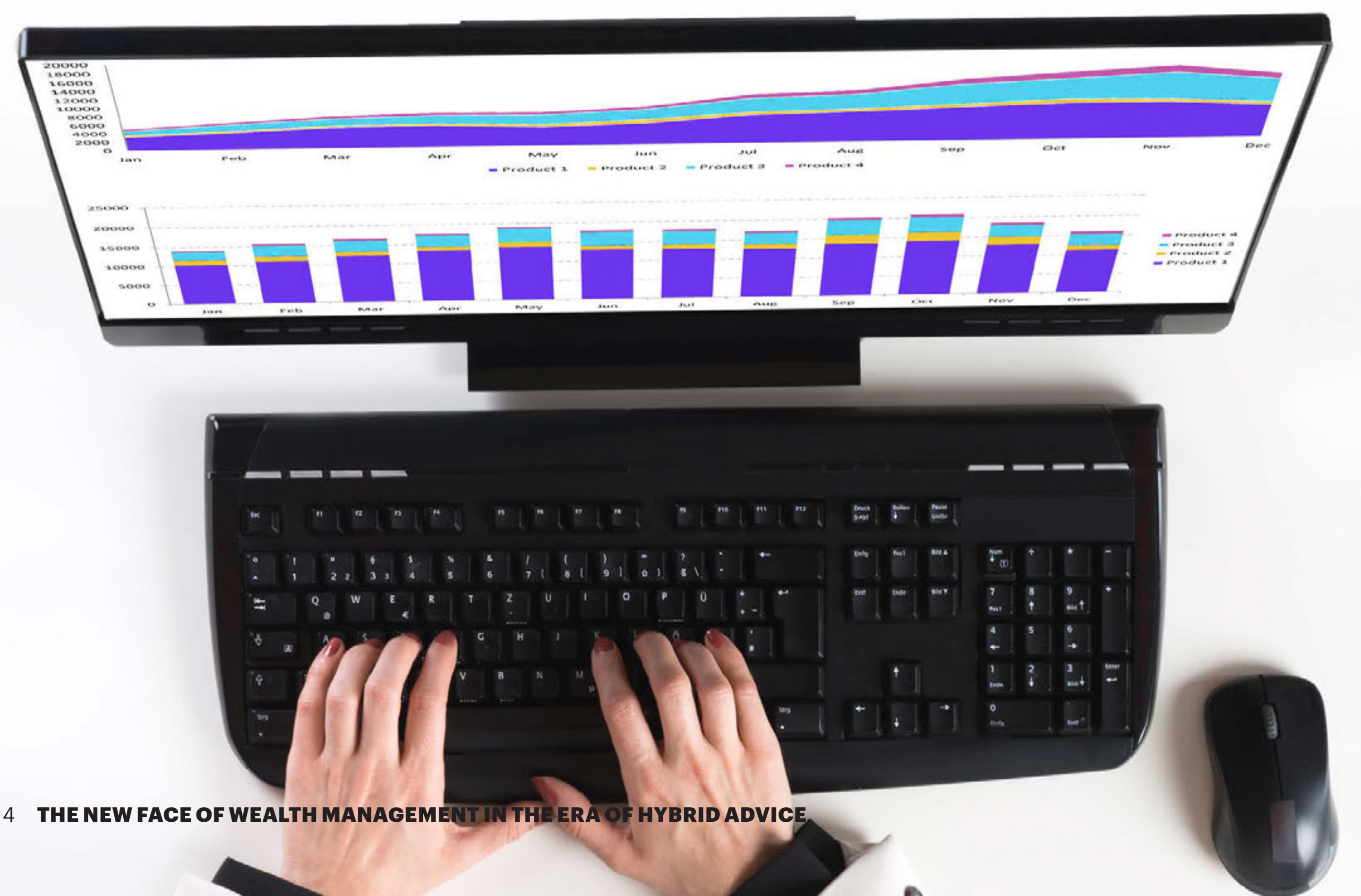


Source: Accenture

YESTERDAY'S INNOVATION IS TODAY'S TABLE STAKES...

Digital technology—the web-based channels, tools, and applications that enable a more transparent and real-time understanding of a client's investments—makes hybrid models possible. Digital tools, formerly considered a key differentiator, are now considered a "basic requirement" by a majority of investors.

For instance, in our most recent survey investors identified roughly 20 percent of available digital tools as "difference makers"—those that are most likely to drive their selection of a platform or cause an investor to switch from one firm to another. Just two years ago, nearly 50 percent of available digital tools were identified as such. Even more telling, investors using a hybrid platform require nearly twice the number of digital tools and services as those using a dedicated advisor, or even a robo model, before they would consider becoming a client. The overall shift in digital tools from "difference maker" to "table stakes" suggests that digital is approaching commoditization, and that digital platforms will need to continuously innovate to stand out from the rest.



THE RISE OF DIGITAL TOOLS

Many basic advisory financial planning and investment tools once thought of as difference makers are now considered table stakes.

INVESTOR CONSIDERATION

TABLE STAKES

Establishes consideration set when selecting a firm

CHANNEL/ACCESS
- Video communication
- Mobile device apps

PERSONAL FINANCIAL MANAGEMENT
- Searchable transaction history
- Analysis by area of investment
- Statements/ reporting

2016
- **Account summary**
- **Custom look/feel**
- **Account transfer/ pay triggers**
- **Account aggregation**

FINANCIAL PLANNING & INVESTMENT
- Trade execution
- Macro-economic research
- Current portfolio analysis

2016
- **Flexible budgeting**
- **Specialist teams**
- **Fund performance**
- **Portfolio comparisons**
- **Tax harvesting**
- **Education on long-term goals**
- **Customizable look/feel**
- **Auto asset allocation**
- **Account summary**

Nearly 3x as many tools are considered table stakes compared to 2014

DIFFERENCE MAKERS

All things being equal, these drive firm selection

CHANNEL/ACCESS
- Access to dedicated advisor
- Agent available for general advice

PERSONAL FINANCIAL MANAGEMENT
- Access to dedicated advisor
- Agent available for general advice

2014
- **Account summary**
- **Custom look/feel**
- **Account transfer/ pay triggers**
- **Account aggregation**

FINANCIAL PLANNING & INVESTMENT
- Retirement planning
- Estate planning
- Specialist teams

2014
- **Flexible budgeting**
- **Specialist teams**
- **Fund performance**
- **Portfolio comparisons**
- **Tax harvesting**
- **Education on long-term goals**
- **Customizable look/feel**
- **Auto asset allocation**
- **Account summary**

Firms should focus on how difference makers build the value proposition

NICE TO HAVES

May drive incremental value, but have little impact on decision

CHANNEL/ACCESS
- Email or online newsletters
- Chat features

PERSONAL FINANCIAL MANAGEMENT
- Remote capture of deposits

EDUCATION
- Custom seminars
- Luxury product research
- Macro-economic research

Not required but firms could consider these as custom add-ons

Source: Accenture

The rise of digital tools changes the advisor's role as well. Advisors can now serve more clients, as many of their traditional tasks can now be handled via digital interaction. But, serving clients now means focusing on the added value not available via robo-platforms to truly facilitate hybrid advice. Advisors will need to find uniquely human ways to bring value, such as acting as a point of validation for their clients who prefer to self-invest. The human touch cannot be replicated by an algorithm when planning for complex needs, dealing with the aftermath of a death in the family, or navigating an anxiety-inducing bear market.

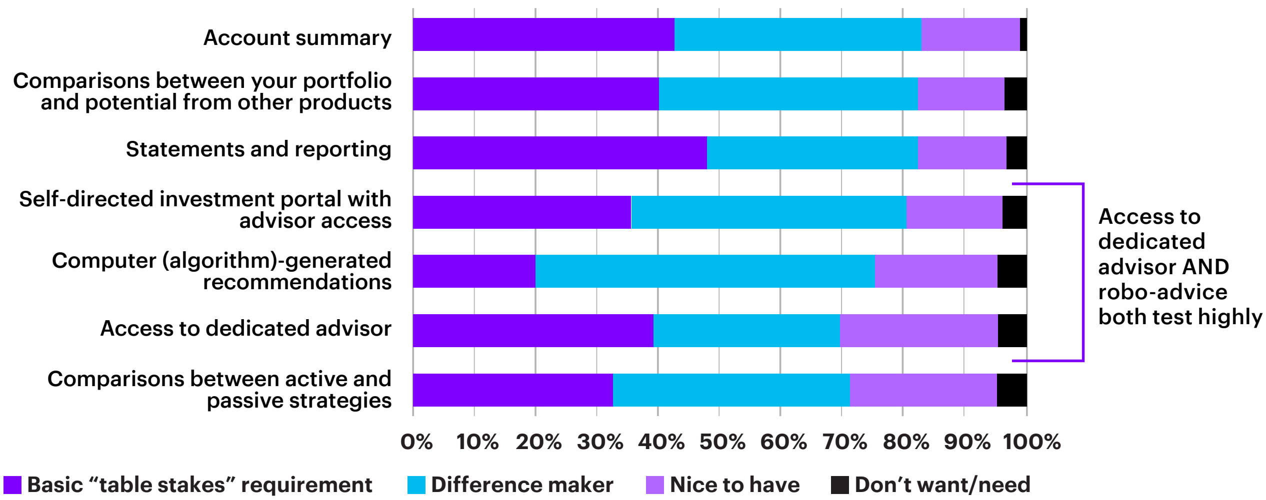
...BUT CLIENTS STILL NEED WHAT HUMANS DO BEST

Despite the rise of digital tools, our research shows that investors across all models still want advisor access for advice and guidance in certain situations. A human advisor (even if advice is provided virtually) is still seen by a slight majority (51 percent) as the most reliable option for new investment ideas. And 57 percent of investors felt human advisors (virtual included) provided the best customized advice.

Investors across all models rated increased access to advisors to help with decision making as a difference maker, suggesting that even the best tech suites and algorithms might leave investors with questions and uncertainty. In certain situations, for instance, only eight percent of our survey respondents believe robo-platforms can deliver customized advice. More than half (51 percent) favorably rated a suite of technology and mobile/online services with access to a dedicated advisor to help with decision-making. Investors particularly show a need for advisors when they are seeking the uniquely human qualities of help and reassurance.

IMPORTANCE OF TOOLS AND SERVICES TO INVESTORS

The following received the highest score of "basic requirement" and "difference maker"



Source: Accenture

Technologies that provide greater advisor access scored highest.

While the solo dedicated advisor model is not yet an antiquated concept, the majority of investors seem to be heading toward that perception. One in four feel they can manage their money as well as their financial advisor. Of US$10 million-plus investors, a whopping 72 percent question the value of a dedicated advisor. And 56 percent of Millennials, the investor of the future, do the same.

Yet, advisor-driven models still make investors feel the best about their investment decisions, suggesting that making an advisor available on an as-needed or periodic basis is a wise move. When considering new technologies, those that provided greater access and communication with a dedicated advisor scored highest overall.

Closing the wealth management gender gap.

For much of the industry's history, wealth advisement has been based on the preferences of male investors, as men held much of the world's wealth. Given the increasing number of women who now have careers, run their own household and invest, women are a key client subgroup. While many firms acknowledge this, few seem to have adequately changed their advisory model to meet women's needs.

Firms and advisors will need to create deep value propositions that resonate with sub-segments of women if they want to succeed moving forward. Beyond that, and more concretely, savvy wealth management should involve creating networks and communities around women. While we cannot make generalizations about the needs and preferences of over 50 percent of the world's population, our study shows that many women prefer a different approach to wealth management than the style many firms have traditionally offered. To address those needs, firms will need to build a network around several key female segments including single professionals, newly divorced, newly widowed, and entrepreneurs.

Women prefer an advice-led approach, rather than just a flurry of information on products and performance. They also hold different views on payment. While the dedicated financial advisor model typically requires investors to pay a percentage of assets under management, 62 percent of female investors said they prefer the autonomy to pay based on the level of service provided.

Look for more on the insights our study provided into female clients in an upcoming Accenture point of view.

LOOKING AHEAD

Our research demonstrates that investors want the best of both worlds, the advantages of technology combined with the human touch. For the skeptical, we offer a few more points of evidence around the hybrid model:

- **Those in the hybrid model are significantly more likely to have sought and received firm assistance in financial planning than investors in any other model (64% versus 44%).**
- **Hybrid model clients are among the most likely investors to have discussed family needs with their advisor, including long-term financial needs of parents (58%), children's financial needs (67%), inheritance (57%), and estate/tax planning (42%).**
- **Hybrid models are also attracting a younger, more affluent, better educated investor base, suggesting that they have the potential to become a dominant, "high-share" model within the industry.**

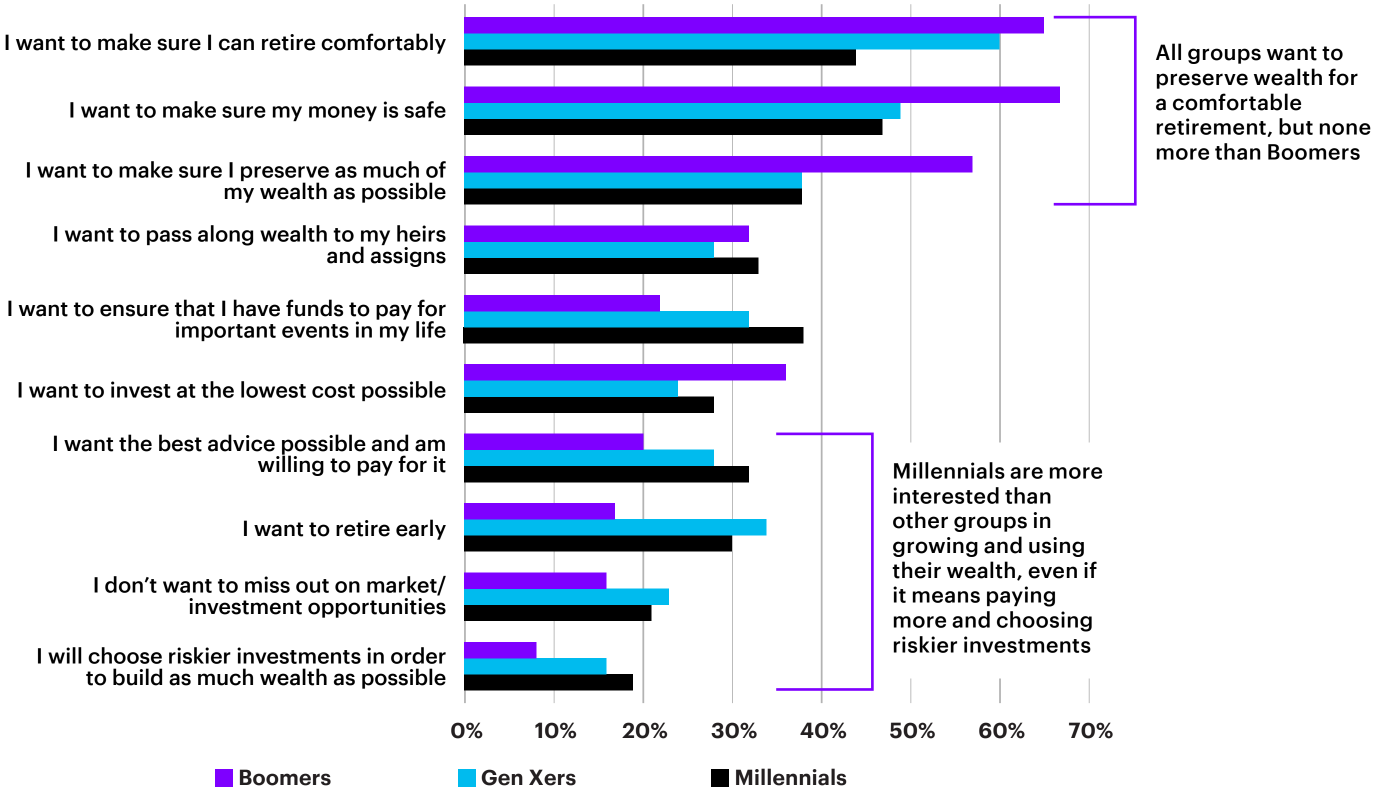
The time to commit to a more well-balanced model is now, before non-traditional competitors such as Google, Apple, Facebook, and Amazon enter the ring at scale. Of investors surveyed, 74 percent said they would consider a non-traditional competitor because of a broader product offering, while 73 percent liked the lower cost they might represent. Advisors are concerned, with 31 percent reporting that, already today, non-financial firms are taking a significant portion of the business.

HOW HYBRID ADVISING WORKS

Today's "hybrid" models are usually characterized by a digital platform used by the client alongside an advisor, brokerage or robo-account that provides a periodic meeting with a Certified Financial Planner. Looking ahead, hybrid models will likely do more than simply combine these elements—tech or human advice—under the same banner. Hybrid models—generally speaking—should allow for semi dedicated relationships to exist with human validation of digital advice.

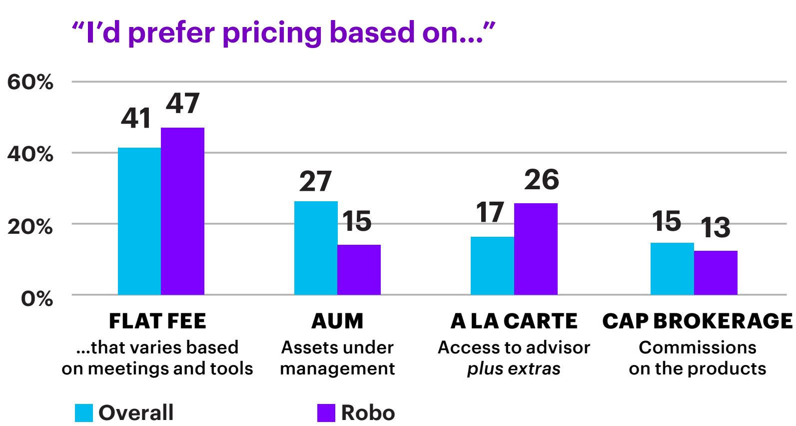
The capability for self-directed investing is already a major requirement to service Emerging Wealthy and High Net Worth investors. Considering clients' high expectations for digital tools, firms should not fear giving more control to their clients while emphasizing the role of advisors as decision validators focused on outcomes. This could be a foundation for a highly differentiated experience, enabling regular and continuous, rather than periodic, discussions with advisors. It could even enable firms to implement innovative business models. Fee structures that emphasize "pay-by-the-drink" options—either a flat rate coupled with extra fees for service options or a true "a la carte" model—appear to be popular concepts among investors and could represent a natural fit for hybrid advice. These fee options could also help alleviate investors' concerns over cost while improving transparency.

INVESTOR GOALS CHANGE WITH AGE



Source: Accenture

HOW INVESTORS FEEL ABOUT WHAT THEY PAY



Source: Accenture

FIRST STEPS

Hybrid models can take a variety of forms, some leaning more heavily on technology and others toward a more balanced approach. Regardless of the variations of hybrid a firm offers, a few first steps toward recognizing hybrid advice as the model of the future are necessary now.

Evolve your firm's current capabilities into the building blocks of a hybrid model.
Key questions include: What role will robots play? What about humans? What is the best pricing model?

Get serious about a digital platform.
Given that digital tools are now table stakes, and continuous innovation via those tools is necessary to keep pace with the competition, savvy wealth management companies will invest the time and money necessary now to create or crystallize a dynamic digital platform strategy.

Invest in digital talent.
Whether it is reskilling human advisors or hiring digital talent from the outside, the wealth management workforce of the future will consist of professionals who see technology as a trusted coworker—and know how to maximize it to clients' advantage.

Develop an ecosystem of partners to support your hybrid model.
No company, regardless of industry, can do it alone anymore. Partners who can bridge the gaps are essential to giving clients the experience they are looking for when investing.

The new face of wealth management marries human and artificial intelligence, bringing the low cost and seemingly limitless analytics of digital with the human touch—one that understands wealth management involves emotions and families. Blend the two, and you have an industry future that may look quite different from its past—but one that will improve the client experience in ways previously not imagined.

CONTACTS

Kendra Thompson

Managing Director
and Global Lead

Accenture Wealth Management

kendra.thompson@accenture.com

With over 15 years of broker dealer and advisory industry experience, Kendra is focused on wealth management strategy. Based in Toronto, she leads Accenture Wealth Management globally.

Edward Blomquist

Research Manager

Accenture Wealth and Asset Management

edward.a.blomquist@accenture.com

Ed leads the global research activities for Accenture Wealth and Asset Management within the capital markets industry. He specializes in digital wealth management and financial advisory services, including quantitative and qualitative research in the US, Europe, and Asia.

Additional contributors include Kyle O'Reilly and Tiffany Leung.

ABOUT ACCENTURE

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DEFINITION OF WEALTH TIERS

Investible assets, not including value of home

Mass Market: <$250k in investible assets

Mass Affluent: $250-650k

Emerging Wealthy: $650k-$1.5m

High Net Worth: $1.5m-$10m

Ultra High Net Worth: >$10m

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