INSIGHTS | PERSPECTIVES ON WEALTH MANAGEMENT

The Changing Face of Face-to-Face

CUNA Brokerage Services, Inc.

INSIGHTS | PERSPECTIVES ON WEALTH MANAGEMENT

Overview

Asset and wealth management has historically been a service built on personal relationships and face-to-face meetings. Is this still true in the era of omnichannel service delivery, increasingly sophisticated digital resources and robo advisors?

The evidence suggests the answer is "yes."

While digital *is* a critical service channel, it's unlikely most clients will move to digital-only investment management any time soon. Instead, most will prefer a hybrid approach which combines the best aspects of digital- and human-based experiences. Consumers of every age and income, even digital-native Millennials, will seek a multi-pronged approach to advising that enhances—not *replaces*—face-to-face relationships. Personalized guidance, human-driven oversight and holistic evaluation will become especially important as clients' financial lives become more complex.

Instead of viewing technology as a threat to traditional interactions and advising models, advisors need to understand and leverage its strengths—and discover how it can open a gateway to better client relationships.

How is the advisor/client relationship changing?

Asset and wealth management has traditionally relied on relationships and interpersonal communications. Clients found a financial expert—often through a family member, friend or an organization like work or church—met face to face, shared the details of their financial lives, discussed goals and received a plan to achieve them. The advisor handled every aspect of research and account management and was typically paid a fee or a percentage of assets under management (AUM). The client met with the advisor a few times a year and typically expected the advisor to direct all account-related oversight and activities.

In other words, the advisor was the only interface to investment products and creating a financial plan.

Fast forward to 2017 and the experience now lives on a continuum. On one end are relationships that follow the historic model; on the other are self-directed portfolios managed entirely by algorithms with automated tools to determine everything from a goal-driven asset mix to sophisticated risk tolerance evaluation and rebalancing schedules.

In many ways, this wide range of technology implementation is not unlike the progression of consumer-focused tax preparation. Until the mid-1990s, the yearly ritual of filing federal income taxes involved several trips to a tax preparer, paper forms, boxes of receipts and plenty of postage stamps. For those taking on the challenge themselves, long hours and math errors were commonplace.

Then, with the personal computer revolution, many consumers opted for step-by-step software to handle relatively simple returns themselves. Speed and accuracy were greatly improved, but many would still engage tax professionals to review the completed forms. Throughout the years, as capabilities, interfaces and consumer comfort improved, the role of the tax professional shifted away from forms, schedules and deductions and transformed into oversight, guidance and strategy.

Is history repeating itself in financial advising? Today, although assets managed exclusively through self-directed tools (like robo advisors) make up a small fraction of all portfolios, they are attractive to a growing subset of the marketplace. And because robos tend to be intuitive, cost-efficient, real-time and easy to navigate—especially for those who routinely use computers and smartphones—their market penetration is only expected to increase.

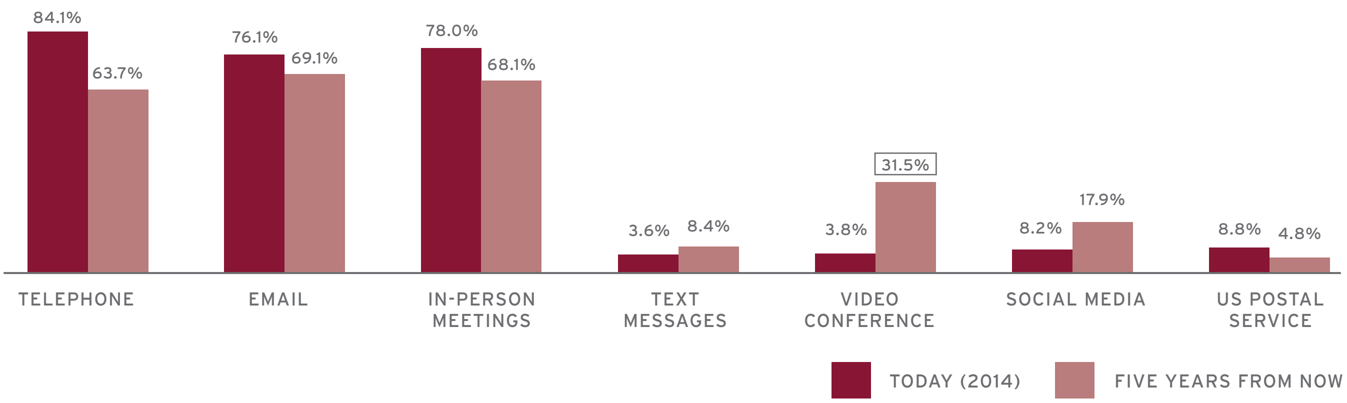
Just like the evolution of tax preparation, the influx of technology (and consumers who embrace it) doesn't mean the end of advisor-centered models of financial planning. Nor does it mean the importance of relationship-based communication will diminish. Instead, it offers an opportunity for advisors to connect with their clients and offer the higher-level *human* services of guidance, wisdom and evaluation. This blend of virtual and direct can become the bedrock of success for a wealth management program.

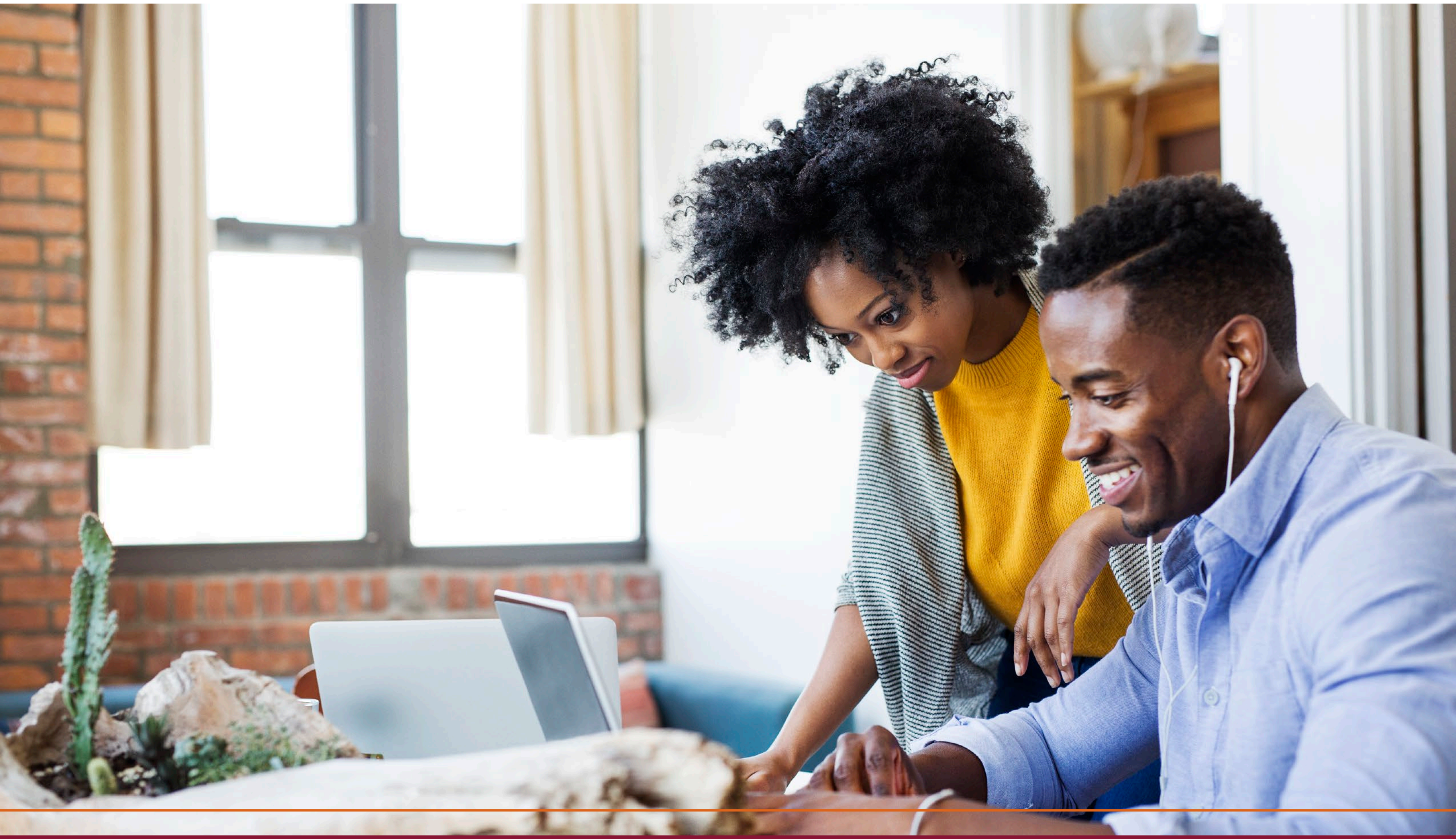
Channel preferences: Aside from the tried-and-true, they're difficult to predict

Back in July 2014, *InvestmentNews* conducted a survey with advisors and investors to learn their current and anticipated channel preferences. At that time, investors foresaw video conferencing as the area with the biggest jump five years out; the youngest investment group—which was quite broad at "under 45"—came closest to seeing a relatively large increase in the use of this channel.

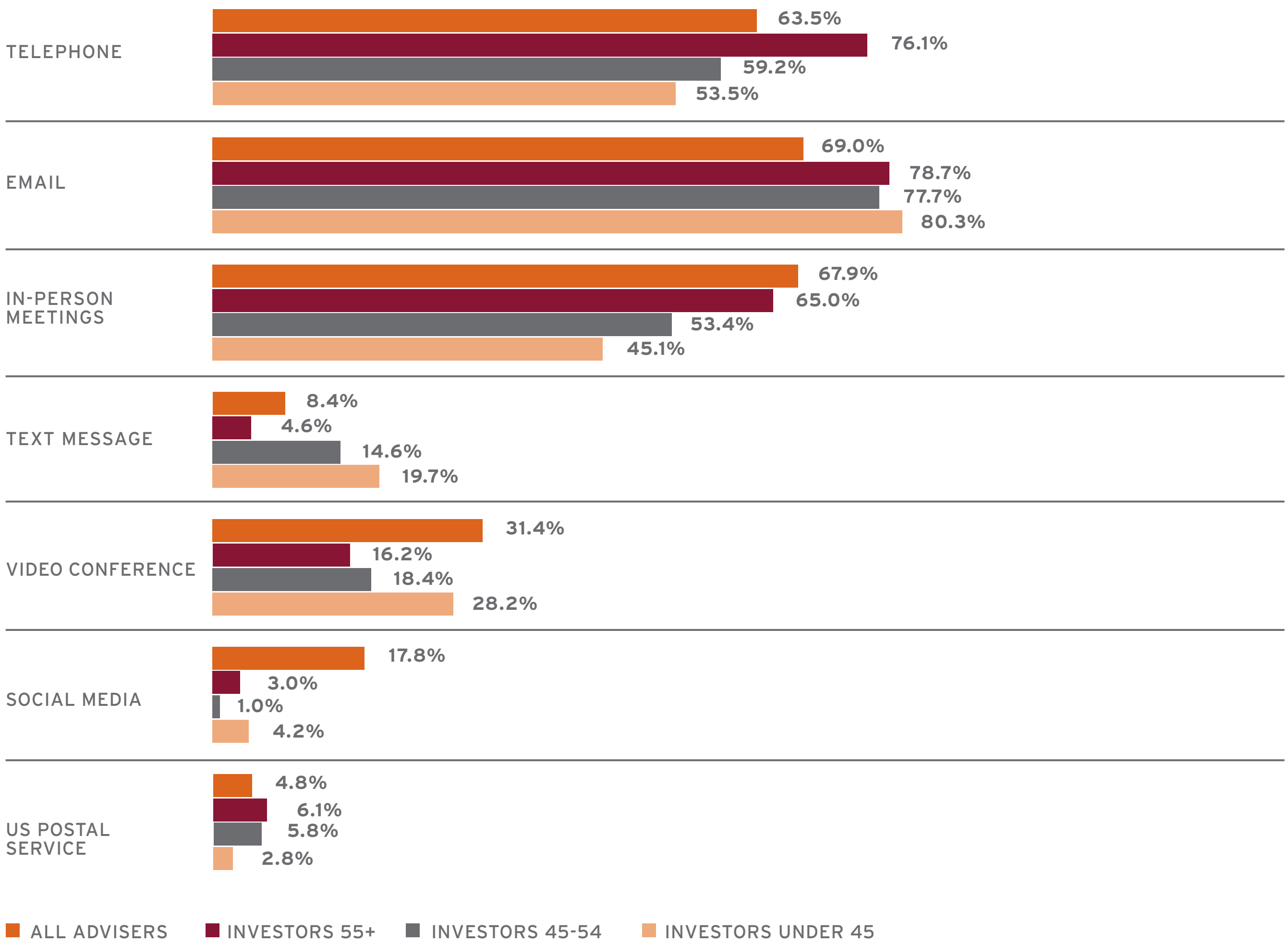
To date, this increase hasn't panned out as predicted. "The stats I've seen support a roughly 4–5% adoption rate of this channel at this time," said Jason Kissinger, senior IT business consultant with CUNA Brokerage Services. That's significant, but not nearly the meteoric growth predicted less than three years ago.

WHAT DO YOU/WILL YOU RELY ON FOR DIRECT, PERSONAL COMMUNICATION WITH CLIENTS?





FIVE YEARS FROM NOW, WHAT DO YOU THINK YOU WILL RELY ON FOR DIRECT, PERSONAL COMMUNICATION WITH YOUR FINANCIAL ADVISER/CLIENTS?



Similarly, investors also expected a bigger role for text messaging, but growth may have been suppressed for regulatory compliance.

"Regulations are a key part of the story," Kissinger said. "Because texts can't consistently be archived for seven years, they typically can't be used for investment-related communication. That's a reality consumers don't tend to know about."

It's interesting to note that all investor groups *except advisors* assumed a larger role for email—a strong and widely used channel—as their preferred communication method. And while advisors predicted an increase in social media use, even the youngest investors saw only a limited role for social media as a two-way communication channel.

Instead, traditional channels have maintained their stronghold. And the bedrock of advisor/investor relationships—one-to-one communication—remains strong. Certainly, the more traditional channels of phone, email and in-person meetings are still seen as the preferred methods of interaction.

A snapshot of the investment in fintech and robo advisors

While financial technology (fintech) has always played a role in financial services, recent expenditures have rapidly been increasing. According to data from Financial Technology Partners, worldwide fintech investments were $36 billion in 2016[1] —a big jump from the $19.1 billion invested in 2015[2]. As a result, a wide range of start-ups and big players alike have successfully inserted themselves into the online financial services marketplace.

A noticeable outgrowth of this investment, combined with advancing tech capabilities, is digital advising and the emergence of consumer-facing robo advisors. A report by Cerulli Associates put the market for digital advising at roughly $83 billion at the end of 2016[3]. That's minuscule in the current investable assets marketplace that Cerulli estimates at over $33.5 trillion,[4] but the evidence suggests these levels will continue to grow: A 2015 report by A.T. Kearney predicts assets on digital platforms will increase to $2.2 trillion by 2020.[5]

It's no surprise that technological advances and big investments will continue. After all, the underlying forces—chiefly, the delivery of better market performance at a better price—have always been the holy grail for fintech. However, as impressive as the technology has become, and as defensible as it may be from cost and efficiency perspectives, elements of human-centered advice, built on relationships, continue to offer advantages not (yet) found online.

Changes in technology and consumer preferences: What advisors need to know now

It's unlikely that most investors will move to a completely tech-driven model any time soon: Effective asset management can be very complicated, especially as clients' financial lives become even more complex over time. Consider, for example, clients who bring any combination of factors which drive the need for holistic oversight, strategy and comprehension:

Divorce settlements and agreements	**A recent or pending inheritance**	**Long-term health issues**
A special needs child	**Business ownership**	**Debt load**
A terminally ill parent	**Complex tax situations**	**Estate/legacy planning**
Planning for college	**Social Security benefits/strategies**	**Legal obligations**

Any of these complexities, and especially several happening concurrently, quickly eclipse the planning capabilities of even the most sophisticated robo algorithms. Because of this, the advisor/client relationship maintains its rightful place in the center of holistic planning.

[1] MESROPYAN, ELENA. "GLOBAL FINTECH FUNDING REACHED $36 BN IN 2016 WITH PAYMENTS COMPANIES SECURING 40% OF TOTAL FUNDS" LET'S TALK PAYMENTS JAN 2, 2017 HTTPS://LETSTALKPAYMENTS.COM/GLOBAL-FINTECH-FUNDING-36-BN-2016/

[2] KPMG. "FINTECH FUNDING HITS ALL-TIME HIGH IN 2015, DESPITE PULLBACK IN Q4: KPMG AND CB INSIGHTS MARCH 9, 2016 HTTPS://HOME.KPMG.COM/XX/EN/HOME/MEDIA/PRESS-RELEASES/2016/03/KPMG-AND-CB-INSIGHTS.HTML

[3] AGREEMENT EXPRESS "2016 FINTECH REPORT" HTTP://PAGES.AGREEMENTEXPRESS.COM/RS/979-XOS-122/IMAGES/2016%20FINTECH%20REPORT%20BY%20AGREEMENT%20EXPRESS.PDF

[4] KITCES, MICHAEL. "WHY ROBO-ADVISOR TECHNOLOGY STILL WON'T HELP MOST FINANCIAL ADVISORS REACH MILLENNIALS" SEPT. 7, 2015 HTTPS://WWW.KITCES.COM/BLOG/WHY-FINANCIAL-ADVISORS-USING-ROBO-ADVISOR-TECHNOLOGY-STILL-WILL-NOT-CLOSE-THE-MILLENNIAL-GAP/

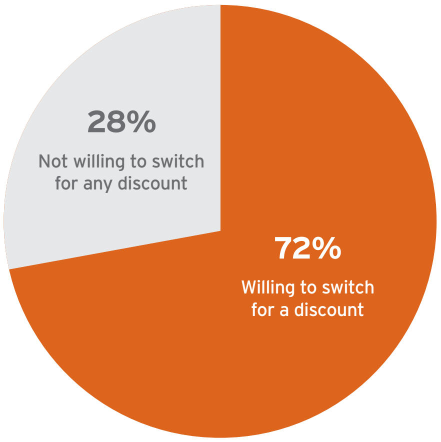
[5] A. T. KEARNEY "HYPE VS. REALITY: THE COMING WAVES OF 'ROBO' ADOPTION" JUNE 2015 HTTPS://WWW.ATKEARNEY.COM/DOCUMENTS/10192/7132014/HYPE+VS.+REALITY_THE+COMING+WAVES+OF+ROBO+ADOPTION.PDF

TODAY, ADVISORS SHOULD BE AWARE OF EIGHT KEY FACTORS THAT IMPACT THIS RELATIONSHIP:

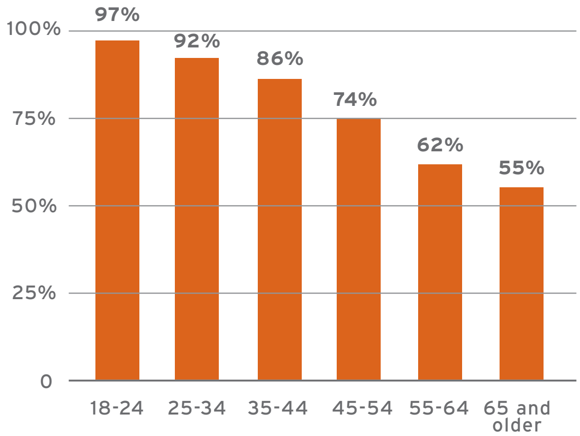
1. Consumers are very price conscious. Research from A.T. Kearney's 2016 report, *Why Investing Will Never Be the Same*, showed that nearly two-thirds of surveyed mass-affluent adult consumers, which it defined as those having at least $50,000 in investable assets, would be willing to switch advisor resources for a discount and that this willingness was strongly correlated with age.[6]

THE WILLINGNESS TO SWITCH ADVICE PROVIDERS FOR A FEE DISCOUNT IS HIGH

% Of mass-affluent, advised respondents who know the advice pricing approach of their primary investment firm.



Willingness to switch, by age.



SOURCE: A.T. KEARNEY 2016 FUTURE OF ADVICE STUDY (N=1,341)

Definitions: Mass affluent consumers are those with $50K or more in household investable assets (assets you can freely invest in any asset types and categories). Advised investors are those who selected validator, lightly advised, or fully delegated as their main advisory model.

Questions: How does your household pay for the advice you receive from the main investment advice provider at your primary investment firm, [name of primary investment firm]?; If a competing investment advice provider (either human or digital) offered advisory services to you, what discount relative to the level of fees you pay today to your current investment advice provider at your primary investment firm would be required to motivate you to switch main providers?

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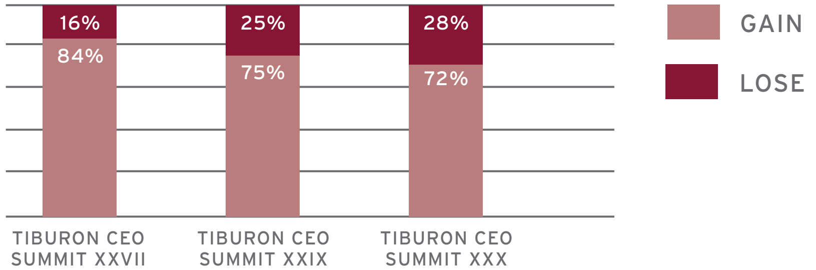
2. Financial advisors need to do a better job communicating their value. A recent CEO survey by Tiburon Strategic Advisors showed CEOs believed clients thought advisors were less valuable than they had been in the past. That's something to keep in mind when building and growing relationships.

CEO SURVEY: ARE FINANCIAL ADVISORS GAINING OR LOSING VALUE TO CLIENTS?



SOURCE: TIBURON STRATEGIC ADVISORS, TIBURON CEO SUMMIT SURVEY DATA; TIBURON RESEARCH & ANALYSIS

[6] A.T. KEARNEY "THE 2016 FUTURE OF ADVICE" STUDY HTTPS://WWW.ATKEARNEY.COM/FINANCIAL-INSTITUTIONS/FUTURE-OF-ADVICE

3. Hybrid investment models are becoming more popular. There's likely to be increased movement to new advisory models in the coming years—especially what A.T. Kearney describes as "digital-plus," where technology is used to deliver investment advice via an online platform, but the client has access to a personal advisor. Deloitte, in their 2015 research, *Ten Disruptive Trends in Wealth Management*, agrees: "The 'winning' advisory model will likely be a hybrid model that combines the best elements of science and human based advice, taking into account differences in needs and willingness to pay across the client wealth spectrum."

THE GROWTH OF DIGITALLY SUPPORTED RELATIONSHIPS WILL MARK THE NEXT FIVE YEARS, AS INVESTORS MOVE TO HYBRID MODELS

Evolution of main investment approach. % Change in the main advisory model and main service delivery model in the next five years among banked mass affluent investors.

Main service delivery-model (future-current)	Main advisory model (future-current)				
	Self-directed	Validator	Lightly-advised	Fully-delegated	Overall
Dedicated advisor	N/A	-0.2%	-1.0%	-0.5%	-1.6%
Available advisor		3.0%	-0.7%	-0.8%	1.5%
Digital-plus		2.4%	3.1%	-0.3%	5.1%
Digital-only		0.0%	-0.1%	0.3%	0.2%
Not advised	-5.2%		N/A		-5.2%
Overall	-5.2%	5.2%	1.2%	-1.2%	0.0%

SOURCE: A.T. KEARNEY 2016 FUTURE OF ADVICE STUDY (N=3.223)

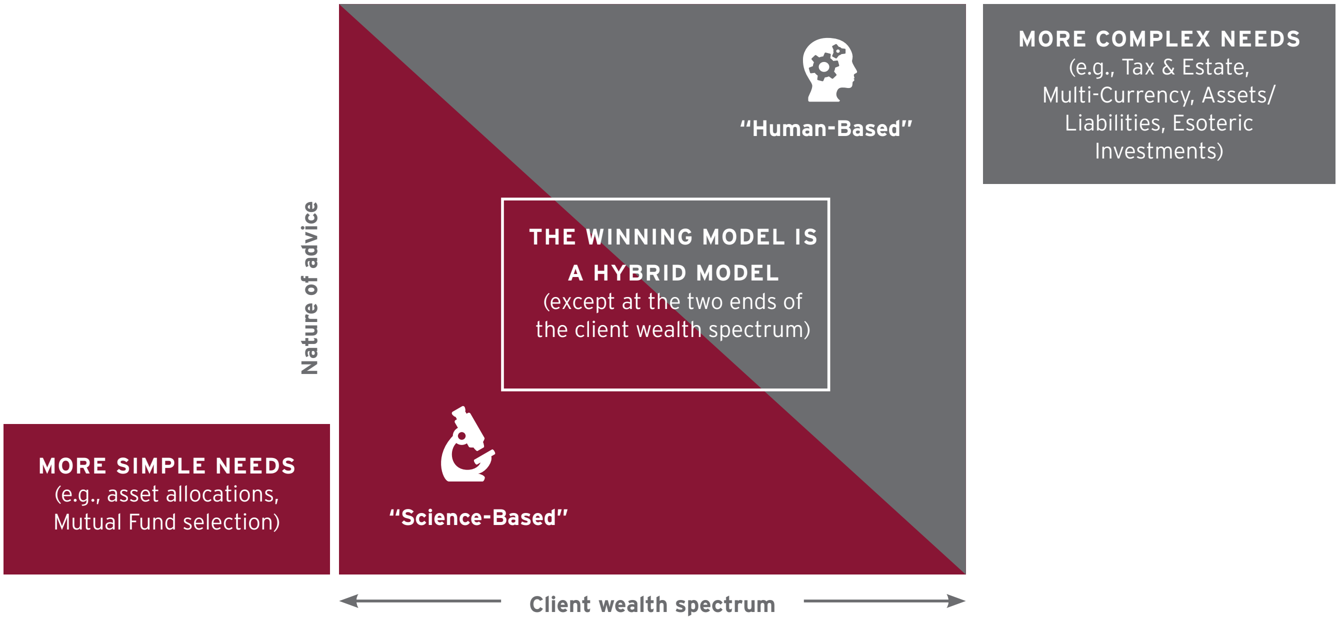
Definitions: Mass affluent consumers are those with $50K or more in household investable assets (assets you can freely invest in any asset types and categories)

Questions: Which of the follow advisory models is your household's main model when interacting with your primary investment firm, [name of primary investment firm]?; In five years, which of the following advisory models do you think will be used by your household to invest your investable assets?; Of those advisory models, which one do you think will be, in five years, your household's main model?; Which of the following best describes your main service delivery model when you interact with your primary investment firm (think about the main investment advice provider)?; In five years, what type(s) of service delivery models or investment advice provider(s) do you think your household will use to invest your investable assets?; Of those service delivery models, which one do you think will be, in five years, your household's main one?

Even the initially "humanless" robo advisors are shifting toward hybrid models. In late January 2017, Betterment, the leading independent robo advice platform, announced it was adding a human element to complement the company's core digital services. This hybrid approach gives clients who meet account minimums access to the services of a Certified Financial Planner (CFP®). Those with a portfolio of at least $100,000 get an annual check-in with a CFP® for 40 basis points; those with at least $250,000 get unlimited access to a CFP® team for 50 basis points; and higher portfolios can be connected with independent advisors at advisor-set fees.

"This type of convergence is a natural outcome," said Steven Heusuk, senior manager of competitive and market intelligence at CUNA Mutual Group. "More brokers and dealers are offering robo-type solutions, especially in reaction to Department of Labor (DOL) requirements. More standalone robos are acknowledging there was an opportunity they weren't serving, especially as people get older and their financial lives become more complicated."

Perhaps Liz Skinner of *InvestmentNews.com* sums it up best in her February 21, 2017, headline: "Robo advisers and human advisers adopt each others' biggest advantages."



SOURCE: DELOITTE, "TEN DISRUPTIVE TRENDS IN WEALTH MANAGEMENT," 2015.

4. Consumers want an app for everything. According to research from McKinsey, "'mobile first' is not just a buzzword—it is the clearest directive banks could receive from consumers about how they want to interact with their service providers." Advisors and broker/dealers need to be aware of this reality and deliver consistent, timely investment information across all channels: traditional web, mobile web and app-specific.

5. Investors like online data—but are also overwhelmed by it. Google has changed the way people research pretty much everything, including their finances. But that doesn't mean they always know what to do with their findings.

"People find conflicting advice and need someone to help them sort through it," says Brian Kopp, a financial advisor with Summit Credit Union in Madison, Wisconsin. "If you search 'Roth IRA,' you are going to get a million hits and once you start reading, some are going to make sense and some will contradict the article you just read."

[7] DIETZ, MIKLOS, ET AL. "CUTTING THROUGH THE NOISE AROUND FINANCIAL TECHNOLOGY" MCKINSEY & COMPANY FEBRUARY 2016 HTTP://WWW.MCKINSEY.COM/INDUSTRIES/FINANCIAL-SERVICES/OUR-INSIGHTS/CUTTING-THROUGH-THE-NOISE-AROUND-FINANCIAL-TECHNOLOGY

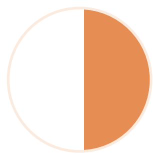
6. Investors of all ages/income levels are using or considering robos. There can be a tendency to assume robos are only desired by younger investors or those with smaller portfolios. The evidence shows that's not the case.

A national survey conducted by EMI Strategic Marketing and Boston Research Technologies found:

- 53% of online high net worth investors use robos
- Wealthier investors are more familiar with robos
- 30% of robo non-users are willing to try them
- Willingness to try increases with youth and wealth[8]

As further proof, recent research by Deloitte[9] found the following digital needs and preferences by wealth tiers. While different firms have different asset class delineations, the willingness and desire for a digital experience are common sentiments across all tiers.

DIGITAL NEEDS AND PREFERENCES BY WEALTH TIERS

Mass Market <$250K Liquid Net Worth	**Mass Affluent** $250K-$999K Liquid Net Worth	**HNW / UHNW** >$1M Liquid Net Worth
Digital Propensity Score		
 55%	 50%	 41%
Specific Needs and Preferences		
Ready for an app! >25% more likely than MA to want contact via apps	**Will invest digitally** 75% find digital tools helpful in executing investments	**Need people, not robo** Only 13% would move some assets to a robo platform
Minimal control needed 46% are indifferent or rather have others lead decisions	**Avoid complex decisions** Have low tolerance for methodical decision making	**Most interested by tracking** 95% find digital tracking tools helpful; higher than MM/MA
56% Not advised	**39% Not advised**	**>78% Not advised**

Finally, an E*TRADE *Streetwise* study found that all ages, regardless of the size of their portfolios, wanted some level of robo/digital assistance as well as personalized help.[10] And on the wealthier end of the spectrum, a large retail advisory group reports 15% of its clients using automated portfolios have at least $1 million at the company.[11]

The takeaway? Robos are already here and all levels of investors are poised to use them. The technology will continue to grow in capabilities and popularity, making integration with human-based services and oversight essential.

[8] EMI SURVEY OF INVESTORS REVEALS ATTITUDES TOWARD ROBO-ADVISORS NOV. 22, 2016 HTTP://EMIBOSTON.COM/EMI-SURVEY-OF-INVESTORS-REVEALS-ATTITUDES-TOWARDS-ROBO-ADVISORS/
[9] DELOITTE. "RETOOLING WEALTH MANAGEMENT FOR THE DIGITAL AGE" 2017 HTTPS://WWW2.DELOITTE.COM/US/EN/PAGES/CONSULTING/ARTICLES/RETOOLING-WEALTH-MANAGEMENT-FOR-THE-DIGITAL-AGE.HTML
[10] DESAI, FALGUNI. "THE GREAT FINTECH ROBO ADVISOR RACE" FORBES JULY 31, 2016 HTTPS://WWW.FORBES.COM/SITES/FALGUNIDESAI/2016/07/31/THE-GREAT-FINTECH-ROBO-ADVISOR-RACE/#56B69E1B4A6F
[11] "FINTECH AND BIG DATA: THE FRIEND OF THE FINANCIAL ADVISOR" HTTPS://8E9AAF6A821F2318BB1F-F900D72D54C9A25EFC492CEFB1C4430C.SSL.CF2.RACKCDN.COM/ARTICLE_PBI_FINTECH_AND_BIG%20DATA.PDF

7. Consumers don't trust the financial industry...but do trust technology. Everything from the 2008 recession and resulting bank bailouts to the 2016 Wells Fargo scandal has consumers on edge and less likely to trust traditional financial institutions. In fact, one study found that only the government and the tobacco industry were trusted less.[12] Plus, Millennials (who are currently about 18 to 36 years old) "have a massive distrust of existing financial services. They tend to trust technology more than the recognized stalwart brands, like JPMorgan Chase or Wells Fargo ."[13]

> "THEY [MILLENNIALS] HAVE A FIRM BELIEF THAT THE INSIGHTS OF MODERN TECHNOLOGY CAN BE COMPETITIVE WITH SOMEONE WHO IS PERSONALLY ADVISING YOU, AND AT A FRACTION OF THE COST."
>
> **LUIS VICEIRA**
> George E. Bates Professor and Senior Associate Dean for International Development at Harvard Business School in a recent HBS case: "The Wealthfront Generation."

8. Investors like the crowd to weigh in. There's an increasing reliance on "crowd sourcing" when it comes to financial information gathering and decision-making. According to LinkedIn's *Affluent Millennial Opportunity* study, 81% of affluent millennials use social media to get information about financial products and services.[14]

Interestingly, it's not just those with small portfolios relying on these resources. A survey by Cogent Research of 4,000 investors with at least $100,000 in investable assets, found almost 70% had reallocated investments or started/changed relationships with investment providers because of information they found on social media.[15] Perhaps these investors seek "triangulating" data and opinions.

THE MILLENNIAL MARKET IS CRITICAL

Although Millennials likely don't make up a substantial portion of most advisors' AUM today—and may never share the same personal bond that's been a hallmark of the traditional client/advisor relationship—there are two good reasons for advisors to pay attention to this market:

Sheer size. Millennials are 75.4 million strong, make up 25% of the American population,[16] and recently surpassed Baby Boomers as the largest living generation in the U.S.[17] By 2025, they'll represent 75% of the workforce[18] and have a predicted annual income of $8.3 trillion.[19]

A once-in-a-lifetime asset shift. Millennials will be on the receiving end of a $40 trillion asset transfer in the coming years and many will be looking for investment assistance.[20] Now's the time for advisors to connect and position themselves as long-term resources—specifically in the channels their clients prefer.

[12] JACKSON, AARON, ET AL. "THE EVOLVING FINANCIAL SERVICES INDUSTRY: THE FINANCIAL ADVISORY ROLE TODAY AND IN THE FUTURE" THE JOURNAL OF BUSINESS INQUIRY 2016, VOL. 15, ISSUE 1, 17-32 HTTPS://WWW.UVU.EDU/WOODBURY/DOCS/JBI-VOL15-1-2.PDF
[13] HARTMANS, AVERY. "MILLENNIALS' DISTRUST OF BANKS IS SPAWNING A NEW BREED OF STARTUPS" AUG. 14, 2016 BUSINESS INSIDER HTTP://WWW.BUSINESSINSIDER.COM/MILLENNIALS-DISTRUST-BANKS-NEW-STARTUPS
[14] ANDREE, KRISTEN. "WHY FINANCIAL ADVISORS SHOULDN'T IGNORE MILLENNIALS" INVESTMENTNEWS SEPT. 11, 2015 HTTP://WWW.INVESTMENTNEWS.COM/ARTICLE/20150911/FREE/150919979/WHY-FINANCIAL-ADVISORS-SHOULDNT-IGNORE-MILLENNIALS
[15] OPENSHAW, JENNIFER. "5 WAYS SOCIAL MEDIA IS CHANGING FINANCE" MARKETWATCH JAN. 6. 2014 HTTP://WWW.MARKETWATCH.COM/STORY/5-WAYS-SOCIAL-MEDIA-IS-CHANGING-FINANCE-2014-01-06
[16] PEW RESEARCH CENTER. "MILLENNIALS OVERTAKE BABY BOOMERS AS AMERICA'S LARGEST GENERATION." APRIL 25, 2016 HTTP://WWW.PEWRESEARCH.ORG/FACT-TANK/2016/04/25/MILLENNIALS-OVERTAKE-BABY-BOOMERS/
[17] FILENE RESEARCH INSTITUTE. "MILLENNIAL MONEY CHATTER: A GUIDE TO MILLENNIAL FINANCIAL DISCOURSE" 2016
[18] BANK OF AMERICA, MILLENNIAL PRIMER 2015
[19] BANK OF AMERICA, MILLENNIAL PRIMER 2015
[20] BANK OF AMERICA, MILLENNIAL PRIMER 2015

WHAT DO ADVISORS THEMSELVES THINK?

A recent survey by PwC[21] showed that while the majority (60%) of asset and wealth manager respondents thought fintech posed a threat to some part of their business, more than a third (34%) weren't actively working to engage with the industry.

The survey also showed that respondents believed there were benefits to be had from fintech, with cost reduction (69%), differentiation (60%) and additional revenues (43%) topping the list. And they worried they'd face higher costs and a diminishing market share if they didn't use digital tools.

But these advisors also believed these technological advancements would present challenges. Concerns mentioned in the survey included IT security, regulatory concerns and whether their business models and current culture could support the use of digital tools.

What should financial advisors do now?

Instead of viewing online technology advancements as a negative or a threat to existing business and relationships, an end-to-end understanding of digital's strengths and weaknesses can help advisors complement the gaps. These tactical steps can help:

Become more familiar with online experiences, interfaces and what you can offer. As more advisor-facing technology becomes available, it's important to stay connected with the progress of tools like Salesforce, NetX360 and MoneyGuidePro. For client interactions, look for opportunities to engage and educate.

Remember that as consumers implement online financial tools outside of your practice (like Mint, online tax preparation and home banking functionalities provided by their credit unions), it's vital for advisors to keep pace. The learning curves of mobile operating systems like Android and iOS take time and practice, but allow advisors to more easily connect with their clients—not just in communication channels but culturally.

Segment the book of business with service levels and robo advising in mind. No advisor can afford to offer personalized, face-to-face service to every client. As more technology comes online, it can be helpful to segment and prioritize accounts based on portfolio size and determine what level of personal service each tier will command. Robo advisors can meet the needs of investors with small portfolios, with the hope of eventually transitioning these clients to a broader range of products and services as their portfolios grow and their lives evolve. And they're a cost-effective way to help serve bigger-portfolio clients too. But beyond the simple metric of portfolio value, technology implementation sends the message that advisors understand clients' desire for control: The client can choose how and when to use digital tools and when to consult a human advisor as part of the planning process.

Prioritize existing clients' children. "This could be a huge area of opportunity for advisors, especially in light of the coming asset transfer," Kissinger stressed. "Future retention depends on relationship-building now." Begin to think beyond their financial plans and goals and look for ways to engage and empower them. Soft traits like trust, compassion and understanding can create strong bonds with entire families, but are especially important as clients and their children prepare for their sunset years.

[21] PWC GLOBAL. FINTECH SURVEY 2016 HTTPS://WWW.PWC.COM/GX/EN/FINANCIAL-SERVICES/PDF/FIN-TECH-ASSET-AND-WEALTH-MANAGEMENT.PDF

Give clients the ability to handle certain tasks. It's inefficient for the advisor—and frustrating for clients—if they can't perform basic (and even some not-so-basic) tasks without help. In an age driven by intuitive online interfaces and comfort with technology, clients will soon expect to do many activities online, largely unassisted. Consider these already-existing or soon-to-be-existing capabilities:

1. Open an account

2. View account balances

3. Review statements/tax documents/past proposals

4. Perform service requests

- Required minimum distributions
- Beneficiary changes
- Address/phone number changes
- Account transfers

5. View account activity like trades, redemptions, transfers

6. Perform transactions

- Buy/sell specific issues and funds
- Rebalance portfolio
- Move funds via ACH to/from any checking/savings account

7. Complete a risk tolerance questionnaire (RTQ) or some form of risk evaluation

- Goal setting, as a precursor or follow-up to a face-to-face meeting
- Education on risk/investments/saving

8. Generate a proposal that recommends model asset allocation based on risk measures and goals

9. Access tools to show goal targets and progress to goals

"THE BEST MODEL IS FOR THE CLIENT TO DETERMINE THE DESIRED LEVEL OF INTERACTION," ADVISED CUNA MUTUAL GROUP'S STEVE HEUSUK. "BUT TRAIN THEM TO TRY THE ONLINE CHANNEL FIRST FOR SIMPLE TASKS THAT AREN'T AN EFFICIENT USE OF YOUR TIME."

Use mobile as a relationship-building tool. Consumers want and use apps, so why not leverage them? Ironically, advisors can build *human* relationships simply by encouraging clients to add the broker/dealer's specific client-facing app and walk them through the functions. Not only will it help them get the most out of the tool, it's an opportunity for the advisor to reinforce a position of knowledge, guidance and expertise.

Use digital tools in face-to-face meetings. Interactive demonstrations of product functions and scenarios can help simplify complex concepts. For example, in the midst of an in-person meeting, some advisors literally hand their clients iPads or tablets and encourage them to discover various aspects of a specific product or how it might help them reach their financial goals. These tools not only help clients grasp product information, they help position the advisor as an expert who blends the best aspects of different types of learning systems and advice. For example, in a hybrid advisor/robo model, the advisor has an opportunity to demonstrate the gamification and educational aspects of the digital experience so clients see the benefits: Slider bars adjust risk tolerance, time horizons can be changed, savings rates can be raised or lowered. The resulting graphs, charts and green or red lights to achieving goals encourage clients to not only take an active role in their planning, but to include the advisor as well.

Focus on the entire experience. Consumers demand frictionless interactions: Experiences with companies like Amazon, Google and Apple have transformed the transaction paradigm. Anything less feels cumbersome and frustrating.

- Analyze each step of the client experience and determine how to seamlessly incorporate digital to deliver a better, more cost-effective end-to-end process. The goal is to work in conjunction with the broker/dealer to simultaneously offer clients the online environment they want, encourage them to perform a comfortable level of tasks themselves, and maintain the advisor's status as a helpful expert.

- Understand that, increasingly, clients will expect to have requests handled in real time, consistency across all platforms, and the ability to access and manage their accounts through every channel. Those tech-driven targets, while aspirational now, will soon become the norm.

- Incorporate online financial planning capabilities (as available in MoneyGuidePro, for example) to deepen relationships, build your value as an advisor and provide clients the technology they want.

- Ask clients about their communication and channel preferences. Stress advisor availability and assistance at every step.

Help clients manage more than the numbers. Advisors have a long history of playing a multi-faceted role for their clients. Even back in 2009, a study uncovered an interesting fact: 74% of surveyed financial advisors reported they'd seen an increase in dealing with *non*-financial requests for their clients and were spending more than 25% of their average day on non-financial issues (which included helping their clients deal with everything from personal health to religious or spiritual issues).[22] In short, these advisors were helping clients manage more than just their money and repositioning themselves as de facto life coaches. It's not hard to imagine that this continues (if not more so) today, and serves as a strong connection to clients and their families.

[22] JACKSON, AARON, ET AL. "THE EVOLVING FINANCIAL SERVICES INDUSTRY: THE FINANCIAL ADVISORY ROLE TODAY AND IN THE FUTURE" THE JOURNAL OF BUSINESS INQUIRY 2016, 15, ISSUE 1, 17-32 HTTPS://WWW.UVU.EDU/WOODBURY/DOCS/JBI-VOL15-1-2.PDF

Robo advisors, in contrast, can't offer those abilities. Instead, they provide immediate views of virtually every aspect of an account such as performance, allocation, trends, comparisons, analysis and recommendations. Naturally, they aren't well suited for complex financial situations.

"If you have a client who's dealing with Social Security strategies, responsibilities to children or ex-spouses, special tax situations, business ownership or debt load, they're going to need personal assistance," Heusuk stressed. "Plus, robos don't account for the aspects of investing that are entwined with emotion. Human advisors have the ability to see much more holistically than a robo advisor ever could. That's why a person will always be extremely valuable in terms of evaluation and recommendation."

Although advisors will need to determine what kinds of relationships they want to develop with their clients, this type of repositioning could be a valuable antidote to the purely numbers-based and transactional role usually associated with digital. This differentiation, or value proposition, is important for advisors to understand and articulate.

Be seen as a resource for asset decumulation, too. Regardless of their financial goals or life stage, clients will ultimately need help planning for how to make their savings last. This is an area where the advisor's oversight will be particularly valuable as client goals transition from asset accumulation to strategic decumulation.

DEVELOPING A MULTI-GENERATION ADVISING MODEL

It's important to know what different generations value, how they prefer to manage their investments and how they view the advisor's role. Of course, not every client falls neatly into these age-based categories.

Segment	Investment needs	Preferred channels	View of Advisor and advisor relationship	Opportunities to use technology
Traditionalists (Born before 1946)	• Drawing down assets	• Like personal attention • Prefer phone calls, printed documents, face-to-face interaction	• The expert; the person who should handle the details • Relationship-focused	• More limited • Might be receptive to Skype sessions, especially snowbirds • Personal relationships are key
Baby Boomers (1946-1964	• Building assets for retirement/ beginning to draw down	• Comfortable with digital but still somewhat paper-based and face-to-face • May have interest in online self-service or possibly robo	• See as a partnership	• More receptive users of technology, but want human guidance and holistic overviews and strategies
Generation X (1965-1980)	• Building assets both for short term (kids' education) and long (retirement)	• Very comfortable with digital • Don't need a lot of face-to-face; email preferred for communication, possibly interested in robo	• Want advisor to be caregiving and trustworthy; not intrusive	• Want tools to actively manage their own accounts—digital is important, but so is the human relationship
Millennials (1981-2000)	• Paying down debt (esp. student loans), building assets for short term (esp. experiences) and long (retirement)	• Digitally driven • Face-to-face for a first meeting, followed by email afterwards • Likely interested in robo	• Collaborative • Want to be part of the process, but have limited experience/ knowledge	• Digital natives—want to be able to do everything online but with the safety net of a human advisor

Conclusion

The nature of technology's ongoing march means the inherent dynamics of relationships will continually change. It transcends time and affects every generation.

While it's tempting to view digital tools as a danger to traditional advisory practices, the reality is that they're here to stay and have the potential to be valuable relationship- and efficiency-builders. Further, they can allow advisors to connect with younger and lower asset clients—who could grow into full-fledged relationships over time—and help serve traditional clients in a more cost-effective way.

So, instead of seeing digital merely as a disruptive force, it's important to recognize its value, reaffirm the difference a human advisor makes and position a hybrid advising model as the best way to meet the complex needs of clients and prospects.

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