



## The future of wealth management revisited

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# Contents

From disruption to transformation	3
Design principles shaping experience	5
The FA experience reimagined	6
Building a new, scalable architecture for digital	8
Transformation in progress: More emerging ideas and trends	12
A long view of transformation and opportunity	14

## Authors' note

*In this article, we present the third point of view (POV) in a series on the future of Wealth Management (WM) in the US. Our first POV, published in 2015,<sup>1</sup> focused on sources of disruption and innovation in WM, and the second POV in 2017<sup>2</sup> centered on the digital transformation of WM. This POV provides an update on past perspectives and predictions and elaborates on new market and competitive trends.*

# From disruption to transformation

It is an understatement to say that the Wealth Management (WM) industry in the United States is undergoing profound change. **The 10 disruptors we discussed in 2015**—from new consumer preferences and digital models to demographic, macroeconomic, regulatory, and competitive trends—**came together to upend the industry like a perfect storm, driving massive levels of disruption and transformation, even if not all have made the same level of impact on the industry** (see figure 1).

Some disruptive trends have been more evident than others. A standout example is consumers' digital propensity, or their increasing comfort with using digital channels and applications. This propensity has risen faster than anyone expected and has spread from a small group of digitally inclined investors to the mainstream of virtually every investor segment.

**Digital proliferation spans generational divides.** Digital propensity is no longer specific to only younger investors, nor is it limited to consumers who cannot afford high-end wealth and private banking services. Rather, it can be observed in every age group and every wealth tier. In a recent survey of ultra-high-net-worth clients of a leading private bank in New York City, we disproved the widely held assumption that ultra-high-net-worth clients have limited digital needs and expectations because they have direct access to large, multidisciplinary teams. We heard such an investor in her 60s wonder about the financial planning and investment framework that her financial adviser used: "I wish I had access to that framework digitally and could try different scenarios on my own before I sit down with my financial adviser. I would get so

much more out of our meeting!" A different investor spoke of using a robo-adviser to manage part of his own assets in order to "keep a check on my adviser."

Another disruptor we identified in 2015 that has made a strong impact in the industry is the trend toward goals-based planning. **In fact, organizing financial plans centered on goals such as education, real estate, retirement, and health care have by now become an industry standard across the banking, insurance, and asset management sectors.** Some simplified versions of financial planning are increasingly accessible to all retail investors through compelling digital applications, and the breadth of financial and other life goals included in these plans continues to expand, with investment and protection strategies becoming better integrated.

Other disruptors have been slower in their manifestation. The impact of big data and advanced analytics has not been as widespread as we expected. The industry has been slow in its work on potential use cases and the transition from proofs of concept to operationalized analytical capabilities.

In our opinion, this delay is the result of investments in big data and advanced analytics being crowded out by other priorities—such as regulatory compliance, platform modernization, and new client digital capabilities—along with artificial intelligence (AI) tools and technology maturing a bit more slowly than expected. Nevertheless, we continue to believe that AI will transform our industry by empowering investors and advisers as well as by driving new levels of client insights, personalization, and efficiency in operations.

A reason for the diminished effect is a macroeconomic environment that has normalized faster than anyone expected coming out of the financial crisis. Therefore, the need has receded for adapting advisory frameworks to the kind of new investment environment where correlations between asset classes do not hold, inflation does not exist, and volatility has become the new normal—perhaps until the next financial crisis?

We have also seen the wealth management industry making limited progress toward democratizing access to new asset classes and investment products. We find weight in two explanations for slower democratization: reduced performance of alternative products and regulatory constraints slowing down innovation.

Considering the overall picture, however, the depth of disruptive innovation and the speed of fundamental shifts across the WM industry continue to impress us. These shifts are reshaping WM organizations and how they are approaching user experience and architecting their technology platforms for the future.

Figure 1. 10 disruptors revisited

	Disruptors*	As observed in 2015*	Industry impact expected in 2020
HIGH IMPACT	 <b>The rewired investor</b>	A new generation of investors think differently about advice and bring new attitudes and expectations to the WM industry; also influencing is how older investors purchase and consume wealth services.	All investors seem to have been rewired by now, and it is about the “rewired” adviser as well! Leading wealth managers have invested heavily in new digital experiences and tools to empower investors and their advisers. However, we have seen only the beginning of this transformation.
	 <b>Science- vs. human-based advice</b>	With the rise of robo-advisers, new combinations of science- and human-based advisory models have emerged.	Most successful robo-advisers shifted early from B2C to B2B2C models in partnerships with established broker-dealers and large advisory firms. These larger firms have been designing hybrid models that leverage advanced analytics and AI to empower advisers and improve on the manufacturing and delivery of financial advice.
	 <b>Holistic goals-based advice</b>	Investors value holistic advice on how to achieve multiple, often conflicting, goals through a range of investment and funding strategies.	Almost every wealth manager has adopted some version of goals-based advice and has started to automate and digitally deliver goals-based planning.
MEDIUM IMPACT	 <b>Catching the retirement wave</b>	Longevity concerns increasingly are or should be at the heart of client-adviser conversations, even years ahead of retirement.	Not much progress here in terms of helping customers better prepare for retirement or manage through a decumulation phase. But longevity remains a key concern of many investors with new tools to nudge customers to save and plan earlier in life. Leading firms have positioned their brands around some notion of “safe retirement.”
	 <b>The rising cost of risk and increasing regulation burden</b>	Increasing regulatory burdens and rising costs of risks pose new challenges to WM firms and their parent companies.	Although the DOL Fiduciary rule was not enforced, the industry continues to move toward Best Interest standards. The new SEC Reg BI rule is a case in point.
	 <b>New competitive patterns</b>	New firms and new business models as well as renewed commitment by incumbent WM firms will drive higher intensity of competition for the same clients and the same assets.	Most successful robo-advisers have been co-opted by large wealth managers into partnerships. Insurance companies and retirement providers have started to move more decisively into financial planning and wealth management. Banks have invested in digital WM capabilities and are in a better position to fight back against large asset managers, although the latter continue to be relentless in executing against their vision and continue to grow market share.
LOW IMPACT	 <b>Analytics and big data</b>	Big data and advanced analytics are on the cusp of transforming the WM industry, with new ways to engage with clients, manage client relationships, and manage risks.	Despite significant investments in upgrading their data infrastructure and enabling big data capabilities, large wealth managers have been slow to articulate use cases, build proofs of concept, and actually develop predictive or algorithmic analytics.
	 <b>Democratization of asset classes and strategies</b>	Retail investors are demanding access to the same asset classes and investment strategies as high-net-worth or institutional investors.	Somewhat to our surprise, product innovation has been fairly limited in this space in the last several years. There is growing consensus that the alpha that matters to mass affluent and mass market investors is created through matching goals with investment strategies, more than accessing higher return products.
	 <b>The aging of advisers and transfer of wealth</b>	Two demographic trends: (1) Advisers are aging and leaving the industry faster than firms are replacing them; (2) Wealth is about to change hands, upsetting established client-adviser relationships.	It is the nature of demographic trends to work their way slowly but steadily through the industry. We have only seen the beginning of the wave, with some wealth managers feeling the pinch as they struggle to connect with a new generation of investors.
	 <b>The macro-environment</b>	This is a challenging macro-environment for investors and their advisers to find the right return/risk combinations.	The investing environment has stabilized and recovered faster than retail investors anticipated, with several years of strong equity returns and real estate gains.

# Design principles shaping experience

**As their digital propensity continues to rise, retail investors increasingly view experience, rather than product offerings, as the differentiating factor for WM firms.** In the past few years, their expectations have greatly elevated. Our 2017 paper described the kind of digital experience that investors have come to expect from their advisory firms: (1) sentient, intelligent, and highly engaging; (2) human, modern, transparent, and trusted; and (3) highly automated, frictionless, integrated, and collaborative. Many WM firms used these characteristics as “design principles” to guide the development of compelling digital experiences for their clients. In fact, they found that the same “north star” applies to all wealth tiers, from mass market, retail customers to high-net-worth clients, with variations in experience delivery, tools, and functionalities.

With these principles applied to digital experiences, it is possible to optimize a balance of human and machine interaction with investors, dispelling the polarizing notion of “humans vs. machine.” Investors are now able to intuitively trust machine-based advice as much as a person. For instance, a “human” experience is one that treats the client as a human being who’s capable of having feelings of anxiety whenever the market is volatile, irrespective of whether the firm reassures the client through a timely phone call from a person or a tailored digital communication generated by a next-best-action algorithm. The important point is to acknowledge and address the investor’s feelings in real time. Similarly, investors expect to receive “intelligent” advice rooted in the best finance theory, regardless of whether that advice is delivered by a finance expert or an automated advice engine that leverages industry-leading finance algorithms.

# The FA experience reimaged

**Investors are not the only ones who expect more compelling digital experiences; financial advisers (FAs), product specialists, and administrative personnel at WM firms are no different.**

In fact, FAs expect the same high-level-experience characteristics, which we now categorize within the overarching terms of efficiency, intelligence, and trustworthiness (see figure 2):

- **Efficient (i.e., highly automated, frictionless, integrated, and collaborative):** FAs want to be more effective and efficient with an integrated set of capabilities and the automation of many of their tasks. Integration enables them to access their tools through desktop and mobile devices; empower themselves with guided workflows and research and query tools; and help their entire team to work as a unit to better serve their clients.

- **Smart (i.e., intelligent, sentient, and highly engaging):** FAs require tools that make them “smarter” with next-best-action algorithms, investment ideas, and content curated to their clients; their tools need to be integrated with client apps to allow for continuous dialogue and exchange of ideas, enabling the co-creation by FAs and their clients of client profiles, plans, and strategies with real-time visualization of emerging output.

- **Trustworthy (i.e., human, modern, trusted, and transparent):** FAs expect experiences that are customized to their personal needs; they count on their home office and support functions to back them up and make them look good in front of their clients—not to micromanage them; and they need to be able to run advanced queries to analyze their book of business, access best practices, and get marketing support to grow their business.

Such a compelling experience for advisers and their teams can be enabled through a variety of functionalities, applications, and tools (see figure 3). WM firms that have prioritized the creation of compelling digital experiences for their employees have often found it well worth the effort. In addition to increasing their workforce productivity, it became easier to hire, retain, and energize the best talent in the industry.

Figure 2. The experience advisers and their clients want

	What investors want (CX)	What advisers want (AX)
 <p><b>EFFICIENT</b> (i.e., highly automated, frictionless, integrated, and collaborative)</p>	<ul style="list-style-type: none"> <li>• Everything is <b>easy, intuitive</b>, and <b>efficient</b></li> <li>• We <b>never stop learning about you</b> so that we serve you better</li> <li>• <b>Every interaction counts</b></li> <li>• Our people, algorithms, and tools <b>all work for you</b></li> <li>• You experience <b>our team as moving as one</b></li> </ul>	<ul style="list-style-type: none"> <li>• We make your work <b>easier, faster, better</b></li> <li>• You can do your work on your own time, on all <b>your devices</b> (e.g., phone, tablet, desktop)</li> <li>• We <b>guide you</b> though your work before you have to search for what you need</li> <li>• We help you and your team work together and <b>move as one</b></li> </ul>
 <p><b>SMART</b> (i.e., intelligent, sentient, and highly engaging)</p>	<ul style="list-style-type: none"> <li>• We <b>anticipate your needs</b>, and you hear from us before you think of us</li> <li>• You <b>learn at your own pace</b> through simulations and iterations</li> <li>• We are <b>always</b> available for you, <b>anywhere, in real time</b></li> <li>• We understand <b>who you are</b> and <b>how you feel</b></li> </ul>	<ul style="list-style-type: none"> <li>• We augment your thoughts and intuitions and arm you with <b>best ideas/insights</b></li> <li>• You can <b>engage and advise</b> your clients and prospects <b>on a continuous basis</b></li> <li>• You have the tools to <b>co-create</b> with clients and prospects</li> </ul>
 <p><b>TRUSTWORTHY</b> (i.e., human, modern, trusted, and transparent)</p>	<ul style="list-style-type: none"> <li>• We <b>treat you as a human being</b> that is both rational and emotional</li> <li>• We <b>appreciate your trust</b> and reward loyalty</li> <li>• We are always acting in <b>your best interest</b> and compliant with all regulations</li> <li>• Pricing is <b>transparent</b> and value-based</li> </ul>	<ul style="list-style-type: none"> <li>• We understand your unique needs and allow you to <b>customize your experience</b></li> <li>• We always have your back and <b>create transparency</b> to help you, not to manage you</li> <li>• We help you <b>grow your business</b> the way you want to</li> </ul>

Figure 3. The end-to-end experience advisers and their teams expect

AX E2E design principles: How the experience should feel for FAs and their teams		What this looks like at leading WM firms
 <p><b>EFFICIENT</b> (i.e., highly automated, frictionless, integrated, and collaborative)</p>	<p>1. We make your work <b>easier, faster, better</b></p>	<ul style="list-style-type: none"> <li>• Common, repetitive tasks are automated</li> <li>• You never have to enter the same information twice</li> <li>• You don't have to go looking for the data and insights you need; they are where you need them, when you need them</li> <li>• New tools and enhancements are so intuitive that you don't need training</li> <li>• The system is as fast and stable as best-in-class consumer apps</li> </ul>
	<p>2. You can do your work on your own time, on all <b>your devices</b> (e.g., phone, tablet, desktop)</p>	<ul style="list-style-type: none"> <li>• You have access to your entire personalized workstation through mobile, tablet, and desktop with a single experience</li> <li>• You can bring your own device when you want to or leverage firm-provided devices</li> </ul>
	<p>3. We <b>guide you</b> through your work before you have to search for what you need</p>	<ul style="list-style-type: none"> <li>• Your needs are anticipated</li> <li>• You never have to switch between applications/tabs to perform common tasks and workflows</li> <li>• You have one search box that delivers results across all platforms and repositories, with "fuzzy" search and Boolean logic</li> <li>• You have real-time guidance at the point you need it, without having to call or search (e.g., tool tips, compliance guidance, constructive error messages)</li> </ul>
	<p>4. We help you and your team work together and <b>move as one</b></p>	<ul style="list-style-type: none"> <li>• You can share and assign tasks with your team, and track progress in real time</li> <li>• Client information and meeting notes are shareable and actionable</li> <li>• If a team member is out, another member has the knowledge and visibility to complete their tasks</li> </ul>
 <p><b>SMART</b> (i.e., intelligent, sentient, and highly engaging)</p>	<p>5. We augment your thoughts and intuitions and arm you with <b>best ideas/insights</b></p>	<ul style="list-style-type: none"> <li>• You are given new ideas (trading, balance sheet optimization, etc.) and smart suggestions on where to apply them</li> <li>• You are offered suggestions on innovative and targeted actions based on big data and predictive modeling</li> <li>• You can view your client's sentiment and emotional state and are offered ways to act upon it</li> <li>• The best finance theory, behavioral science, and market research is automatically embedded into your workflow</li> </ul>
	<p>6. You can <b>engage and advise</b> your clients and prospects <b>on a continuous basis</b></p>	<ul style="list-style-type: none"> <li>• You have compelling, visual tools to engage clients and prospects in deep conversations</li> <li>• You are offered compelling, best-in-class, two-way communications tools and content to engage with clients the way they like to engage</li> <li>• Data from client activity and interactions feeds directly into relevant workflows</li> <li>• When a client reaches out, you have all the relevant information you need and can address their concerns—all in in one place</li> </ul>
	<p>7. You have the tools to <b>co-create</b> with clients and prospects</p>	<ul style="list-style-type: none"> <li>• You have tools that can be shared with clients to facilitate collaboration, remotely or in person, in real time</li> <li>• You can run simulations and tweak variables with clients in real time to discuss planning and solution proposals</li> <li>• Plans you create with your client are evergreen, living artifacts, which you and your client can review and modify in your own time</li> </ul>
 <p><b>TRUSTWORTHY</b> (i.e., human, modern, trusted, and transparent)</p>	<p>8. We understand your unique needs and allow you to <b>customize your experience</b></p>	<ul style="list-style-type: none"> <li>• Your tools and data views are tailored to your role and can be controlled by you</li> <li>• You have one modern, consistent look and feel across all your tools</li> <li>• You can create your own custom views and reports, share those with others, and select popular views and reports from a shared repository</li> </ul>
	<p>9. We always have your back and <b>create transparency</b> to help you, not to manage you</p>	<ul style="list-style-type: none"> <li>• Issues outside of your control that you and your clients encounter are promptly and proactively addressed</li> <li>• You can trust us to treat your clients as you treat your clients</li> <li>• You have visibility into your clients' and team members' actions</li> </ul>
	<p>10. We help you <b>grow your business</b> the way you want to</p>	<ul style="list-style-type: none"> <li>• You have access to clear best practices and KPIs that help you optimize your practice</li> <li>• You can track your progress toward custom and suggested measurable goals and KPIs of your choosing</li> <li>• You have templated and custom analysis and queries on your book of business</li> <li>• You are provided the training, marketing, and product support you need</li> <li>• You are suggested growth opportunities based on data, tailored to your book of business</li> </ul>

# Building a new, scalable architecture for digital

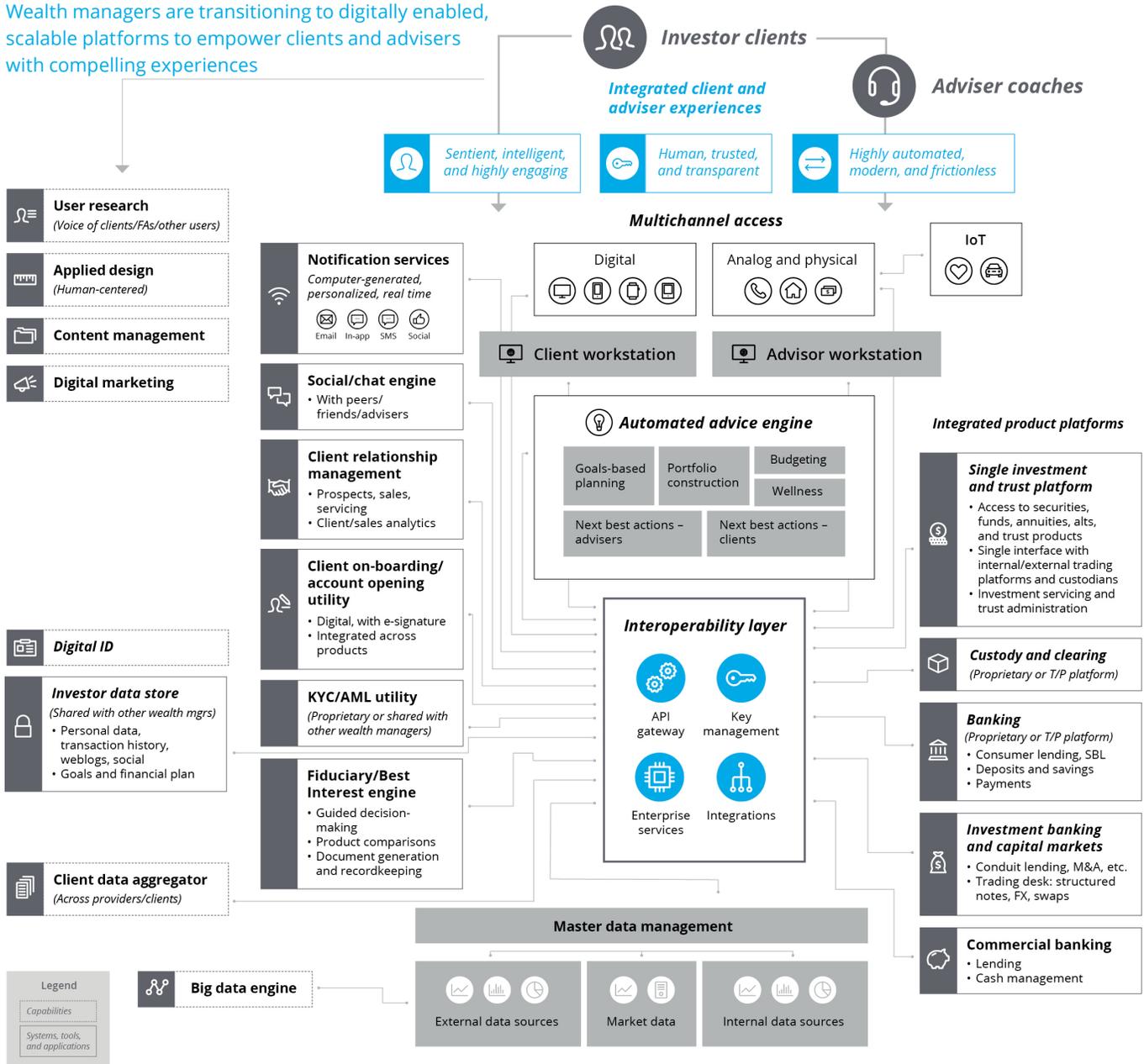
In our 2017 paper, we also outlined a functional architecture for a scalable WM platform that would enable the digital adviser of the future. We have reviewed this functional architecture with more than 50 wealth managers and a number of WM industry vendors in North America, Europe,

and Asia and have found this functional architecture to be a reliable guide to the future (see figure 4 for a slightly updated version; see our [2017 paper](#) for a detailed description of capabilities).<sup>3</sup> In fact, many leading firms adopted a version of this functional architecture as a starting point to

prioritize capabilities and create a roadmap for building and aggregating the right capability set over time, so as to enable the desired transformation of their wealth platform.

**Figure 4. A functional architecture for the digital wealth adviser of the future\***

Wealth managers are transitioning to digitally enabled, scalable platforms to empower clients and advisers with compelling experiences



\* Source: The digital advisory model of the future, Deloitte, March 2017.

In the last 18 months, a number of these firms have focused their investments on a small number of core capabilities in order to kick-start and accelerate their transformation (see figure 5 in the appendix). Four capabilities being prioritized by WM firms stand out to us the most:

1. **New client digital solutions** to engage directly with investors and get to know them better, initiate a planning relationship with them, provide them value through tailored content and advice, and help them transact on their own terms. When these solutions are positioned as complementary to the traditional client–adviser service model, retail investors benefit through enhanced experiences and greater value. Advisers benefit as well with higher levels of client engagement and satisfaction and increased leverage to engage with more clients. Finally, WM firms benefit from stronger, more institutional relationships with retail investors. As they designed, built, and launched these new tablet and phone applications, WM firms have had to build and embed human-centered design capability at the heart of product management and transition their organization from *doing digital to being digital*.<sup>4</sup>
2. **Broker-dealers launch new digital applications** to engage their affluent and high-net-worth clients on a discovery, planning, and advice journey, while also building a digital lab factory capability to ensure that they will be able to continue the development of compelling digital experiences for their clients and FAs.
3. **State-of-the-art CRM capabilities** to upgrade sales practices, improve FA digital experience and productivity, and foster growth. In fact, we have seen CRM system implementations or upgrades spreading across the WM industry, with large broker-dealers, high-net-worth private banks, and retail managers selecting Salesforce's

Financial Services Cloud solution or Microsoft Dynamics' product. The more successful CRM projects we have seen were thought of as "experience design" projects rather than "technology implementation" projects. They kicked off with a user-centric discovery phase to (1) define the desired experience for various user personas through extensive ethnographic research and (2) create a compelling prototype with multiple wireframes to describe which screens users would see and how they would actually engage with the new system through key journeys. Then the project team could proceed to build, test, and launch the new technology solution through a series of agile sprints with a prototype to guide them and maximize user adoption and business impact on the back end.

4. **Modern data management (MDM) capabilities** to create an interoperability layer on top of legacy systems, feed data-hungry client and adviser solutions, and enable the game-changing digital experiences that users want. We have seen firms leverage MDM platforms like Informatica, or integration services like MuleSoft, to orchestrate and deliver data where it is needed for key processes on a real-time or periodic basis. In this way, firms effectively model, store, enrich, and master "objects," such as client information, accounts, and transactions, which are then able to be moved to where they need to be, so that core applications can use the data to support the business.
5. **Streamlined on-boarding solutions** to address common pain points in (1) converting prospects to clients and opening new accounts, as well as bulk conversions as a result of FA and FA-group transfers; and (2) supporting requirements for regulatory compliance during these processes. As firms standardize the on-boarding process across lines of business in banking and wealth management, they enable clients to access cash, lending, and investment products with similar tools.

**Together, these capabilities (client digital solutions, state-of-the-art CRM, modern data management, and streamlined on-boarding solutions) have been important levers to accelerate the transformation of WM platforms;** shorten the time to impact on the bottom line; and create positive dynamics with clients, FAs, and shareholders, so as to continue further transformation over the next several years.

A number of leading WM vendors have also used our functional architecture to articulate where they fit in the transformation of their client firms and, in some cases, to position themselves as broader platform-enablers beyond a narrow set of capabilities for which they were initially known. A good example of the latter would be a vendor like Salesforce, which can be seen as a CRM (Customer Relationship Management) system or a broader platform with a data interoperability layer linked to an analytics capability, user interfaces, and a container that encompasses most of an adviser workstation.

**Much work remains, however, before fully scalable, digitally enabled WM platforms become a reality.**

For one, it will take more time and investment to create the data infrastructure required to enable such platforms. Furthermore, we have seen only limited progress to date in creating powerful, automated advice engines with holistic and dynamic planning as the framework for continuous client engagement; next-best-action algorithms for investors and their advisers; and real-time, digital engagement models with

machine-generated communications and tailored content delivered to individual investors. More generally, we have only seen the beginning of exponential technologies—such as robotics, cognitive computing, and distributed ledgers—applied to wealth management across its capability map (see figure 6 in the appendix).

Our 2017 paper also called for a new economic model and a dramatic increase in adviser productivity in response to continued pricing pressure.<sup>5</sup> Within the last couple of years we have seen

continued pricing pressure across the value chain, catalyzed by zero-dollar trading and the proliferation of high-yield cash and money market products. The results of this pressure include increased merger discussions and proposals in discount brokerage, custody, and clearing; acquisitions of banking and trust charters by wealth managers; and large WM vendors acquiring smaller ones. In our opinion, these developments only create more urgency for increased adviser productivity and platform efficiency through the digital transformation we are discussing in this update.



# Transformation in progress: More emerging ideas and trends

With the adoption of new functional architecture transforming the current environment, we see even more changes coming in the industry. What follows are five structural trends that we believe will shape how WM firms compete.

1. **Integration of client and adviser experiences:** As we mentioned, leading WM firms have dedicated significant efforts to the development of compelling digital experiences for investors and their advisers, utilizing a human-centered design approach. The more forward-looking firms have gone one step further to acknowledge that adviser and client experiences are not independent; rather, they should support and reinforce each other, aided by seamless integration.

For example, through her workstation, an adviser can gain line-of-sight into her client's goal-setting and planning digital application, which enables her to insert herself into the conversation at the right time. For another example, imagine an elevated in-person client meeting where an adviser can switch his tablet app to "client mode" and co-create a profile with a client, or to "adviser mode" in order to communicate notes and next steps with his support team at the office. Most importantly, **adviser experiences will be designed with the principal objective of enabling the right investor experiences at every interaction.** In fact, client and adviser functionalities will increasingly be built on the same technology platforms and leverage the same advisory frameworks, thus facilitating the integration of adviser and investor experiences. As client and FA digital tools connect and increasingly share common platforms,

we believe that shared, integrated experiences between investors and their advisers along similar digital standards will also increase the convergence of wealth management and retail banking (see below).

2. **The rise of the quasi-client:** When robo-advisers first appeared on the scene some five to seven years ago, they stumbled onto a new issue. They were quick to give prospective clients a login that would allow those prospects to aggregate information across multiple providers and receive some guidance on portfolio construction, tax optimization, and other investment topics for free. The issue was that many post-login prospects or quasi-clients never converted into full-fledged clients by transferring assets over and paying an asset management fee. Robo-advisers had de facto created a "prospect zone," but they did not quite know how to monetize it, beyond some attempts at mining the data and conducting marketing experiments on these quasi-clients.

Today, a few leading wealth managers are looking to borrow a page from the robo-advisers' playbook and improve on the idea of a "prospect zone." The idea is to allow prospects and WM firms to exchange value in a way that is meaningful to the prospects while minimally committing the adviser's time or resources. These quasi-clients can stay in the prospect zone and begin to feel like clients as long as they need. With new digital tools that guide investors through discovery and planning, as well as curated content and some elements of guidance that can make for a meaningful value exchange, advisers can nurture a pipeline of future clients at very low cost—without

the pressure to close a deal within a certain time frame.

## **This concept of treating prospects as quasi-clients is part of a larger idea to broaden the definition of a client.**

For instance, some WM firms have started to think through how to turn their client base into networks of like-minded people and communities of interest, with clients becoming quasi-partners.

3. **The convergence of retail banking and wealth management through advice:** Industry observers have been talking about the convergence of wealth management and retail banking (RB) for years. Until recently, convergence focused mostly on mass affluent customers. Large asset managers with retail businesses built lending and cash management capabilities to cross-sell to their mostly mass affluent, retail customer base; conversely, retail banks built up their investment product and advisory capabilities, in an attempt to hang on to the same mass affluent customers who happen to be their most profitable retail customer relationships.

The battlefield has started to shift from investments and banking products to financial advice. With the automation of goals-based financial planning and budgeting functionalities, more impactful, holistic financial guidance can now be digitally manufactured at low cost and consumed through compelling digital experiences. It is not just mass affluent investors who are interested, but also every mass market customer. One of the largest US retail banks plans to offer some form of financial planning and advice to every one of its customers within a few years.

With this trend, we foresee a major structural shift: **Financial wellness and wealth management will move to the heart of retail banking.** RB customer relationships will no longer be anchored in transaction accounts but in some form of digital guidance. The digital experience around guidance and advice, thus, will be at the heart of every relationship between US consumers and their retail banks.

4. **Closed-loop systems to engage retirement customers:** A closed-loop system has its benefits, with customers and merchants on the same payments network operated by a single issuer. Universal banks can benefit by keeping corporate retirement plan employees within the same family as their wealth management and banking customers, or within a closed-loop system. These large banks have relationships with tens of thousands of corporations through their institutional retirement business and their commercial and investment

banking operations, giving them access to these corporations' millions of individual employees via the wellness programs of corporate retirement plans. Part of their value proposition to corporate plan participants is their ability to offer the full force of banking and wealth management in addressing participants' wellness and financial needs. Some form of digital planning and guidance can be the glue that holds together all these disparate products and offerings within one integrated customer experience.

We believe we'll see more institutional retirement, consumer banking, wealth management, and commercial banking lines of business working together. Because it will take significant investments in technology for large, diversified banks to realize this "closed-loop" vision, it will be very difficult for smaller banks and wealth management firms to compete.

**Large outsourcing transactions for greater focus and efficiency:** In the last several years, we have seen most leading WM firms—even those with a belief of proprietary technology and tools ingrained in their culture—reach out to external vendors for best-in-class point solutions. Now, we are seeing some of the same vendors position themselves for broader platform plays that enable several capability domains across the entire value chain .

We have also heard of large potential outsourcing deals to technology companies that focus on most of the middle- and back-office functions of a large broker-dealer or a large institutional retirement provider. Because of increasing demand for value-added activities and the reduction of operation and technology costs over time, we expect to see more of these large transactions in the future with more industry utilities created in the process.



# A long view of transformation and opportunity

While this paper was never meant to be an exhaustive survey of innovation and change in the WM industry, it is hard to avoid the conclusion that we have witnessed only the beginning of a massive wave of transformation that is sweeping through the industry. The sea change will not happen instantly; we believe the transformation of WM will take about 10 years.

The extent of transformation looks to be far-reaching for any WM organization. The transformation will be led by the customer and the front office. Transformation of the middle- and back-offices then follows front-office transformation to enable compelling experiences by way of the necessary functional architecture.

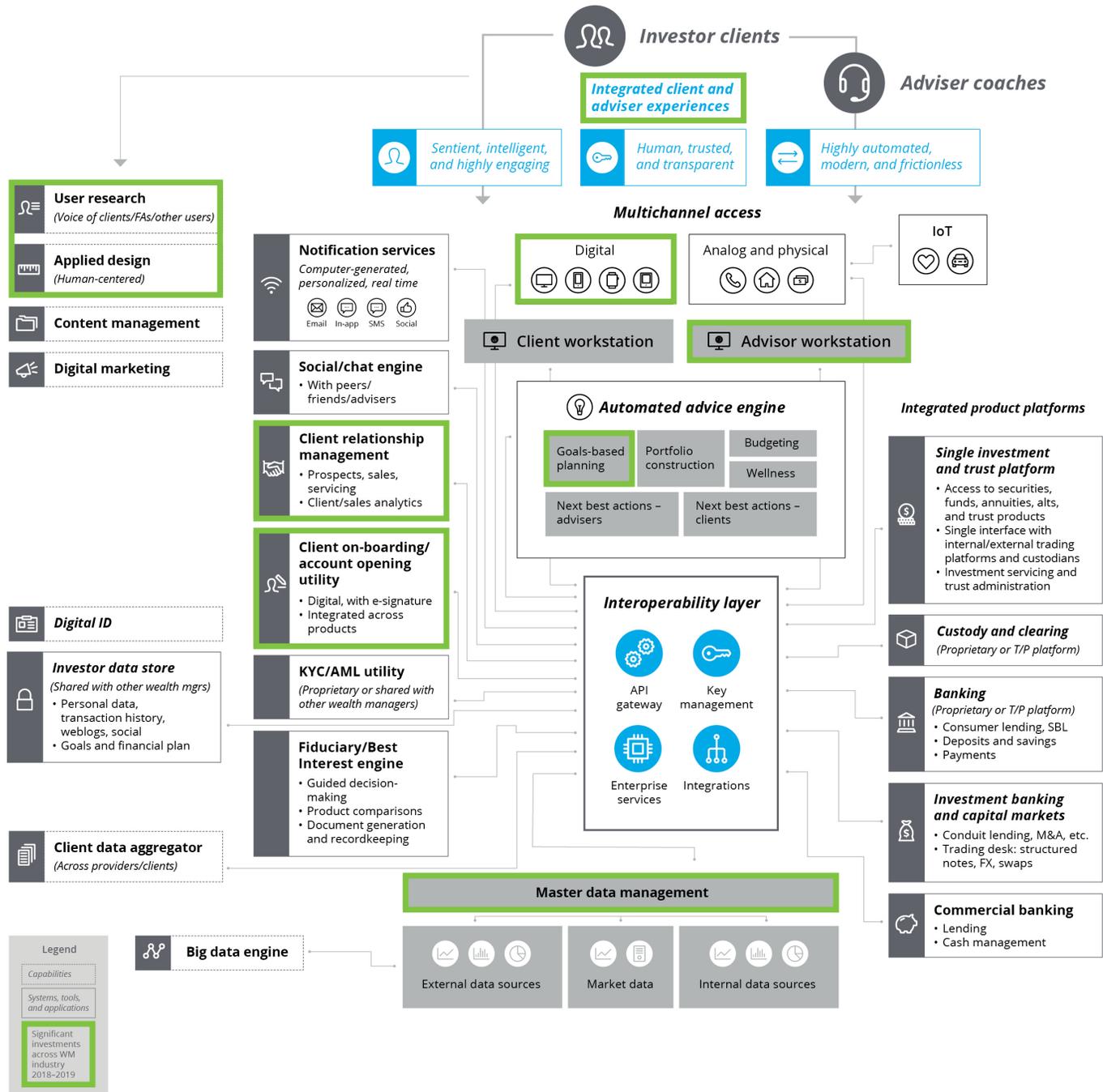
In looking at this overall picture of transformation in wealth management, we are reminded once again that **human beings tend to overestimate the pace of change and underestimate the depth of transformation.** The risk to WM firms is twofold: Slow down their transformation efforts because the market is not moving against them as fast as expected; or assume that they have done enough to date and miss the opportunity to truly transform their infrastructure and business model. Great peril remains if investments in building the right, digitally enabled, scalable platform happen haphazardly, with rushed action or insufficient half-measures. To truly adapt to and take advantage of fundamental industry transformation, WM firms must play the long game.

The risk to wealth management firms is twofold: Slow down their transformation efforts because the market is not moving against them as fast as expected, or assume that they have done enough to date and miss the opportunity to truly transform their infrastructure and business model.

# Appendix

Figure 5. Where wealth managers have invested in the last 18 months\*

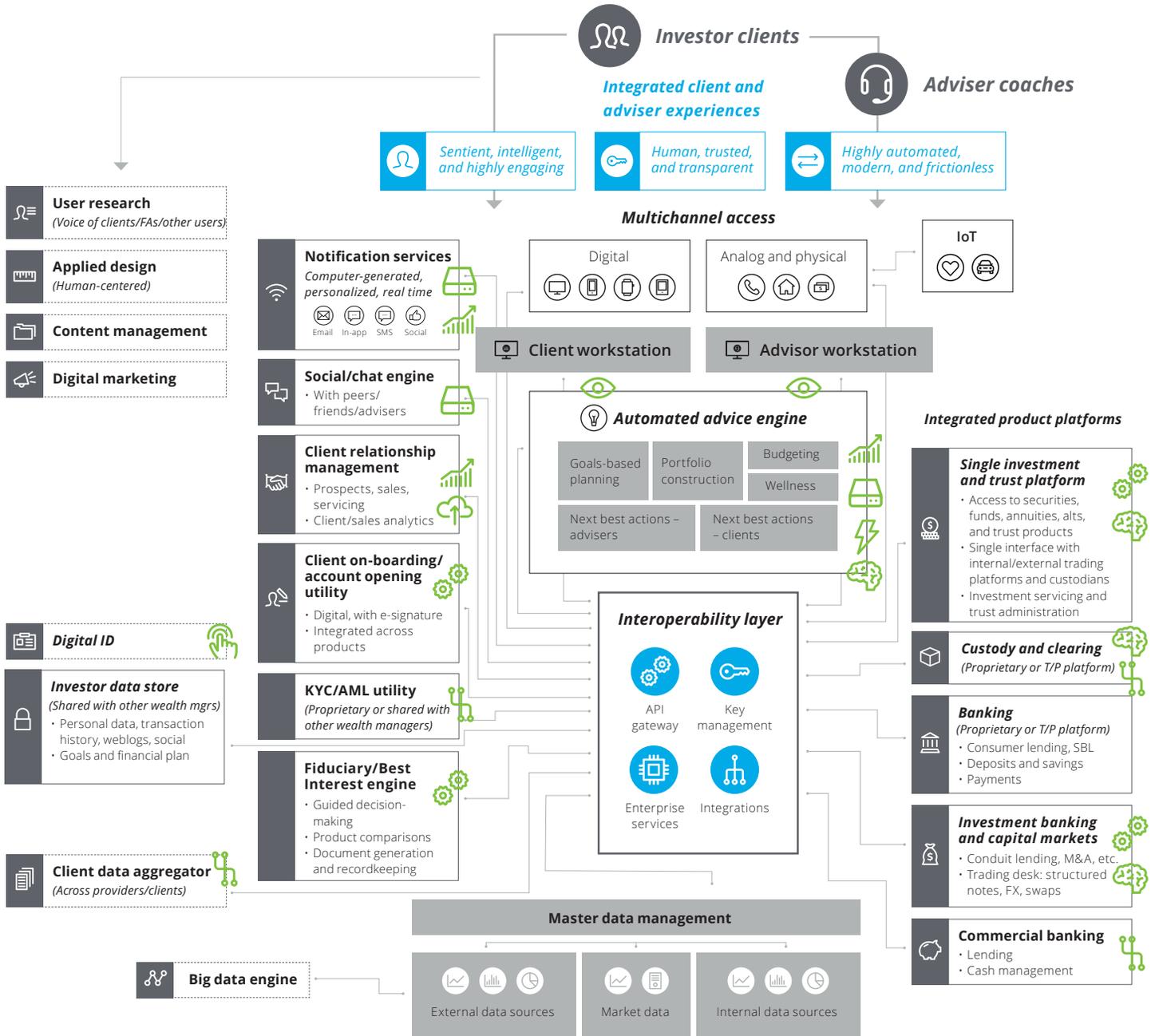
Leading wealth managers have concentrated their investments in a subset of capabilities to accelerate the transformation



\* Source: The digital advisory model of the future, Deloitte, March 2017.

Figure 6. Where new technologies fit in

New technologies will enable the wealth management platforms of the future



Exponential technologies



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# Endnotes

1. 10 Disruptive Trends in Wealth Management, Deloitte Consulting LLP, 2015.
2. The Digital Wealth Manager of the Future, Deloitte Consulting LLP, 2017.
3. The Digital Wealth Manager of the Future, Deloitte Consulting LLP, 2017, pp. 8-9.
4. See Deloitte: Activating the digital enterprise; <https://www2.deloitte.com/us/en/pages/human-capital/articles/the-digital-organization.html>.
5. The Digital Wealth Manager of the Future, Deloitte Consulting LLP, 2017, p. 12.







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