PREPARING FOR THE FUTURE TODAY

Tom Sedoric and Casey Snyder

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The future landscape of the financial services industry continues to knock, knock, knock on the door today - and every day. Whether financial services firms will be welcomed in the future, or not, will likely determine if they will survive. How might the current firms even thrive in a tomorrow that is rapidly changing and being structured now is unknown.

A recent Vanguard Research study on trends in the financial advising industry found that future success will depend on "advanced tasks" that technology and automation cannot duplicate: critical thinking, active listening, maintaining relationships, synergistic team formation, empathy, strategizing and planning, behavioral modification to align goals with behaviors, sequential planning, and thinking creatively.

There is no doubt that the firms and practices that really understand, and fulfill, their client's evolving needs, whether those needs are large or small, complex or simple, serving the young or the old, or attending to the financially secure or those of more modest means, will be those that deliver value. These firms will look dramatically different in 10 to 15 years. Those that do not evolve may become as quaint and irrelevant as operational procedures from the 1970s.

A combination of two factors changed our profession in ways that few could have foreseen: the deregulation mania that began in the late 1970s and currently the technologies driving an information revolution that rivals the impact of the Gutenburg press in the 15th Century. We have reached a paradoxical crossroads. Never has so much technological power been readily available at our fingertips. But it is human relationships that enlighten and transform our profession and ultimately those relationships secure better client outcomes.

In the past three decades, the norms of our profession have been rendered as obsolete as the dominance of the so-called wire houses. Financial advisors trained in the 80's and 90's, were trained as stockbrokers working mostly on commission during an era when stock markets largely went up and commissions were just deregulated. Today, the value of an advisor stems from their ability to coach and communicate complex concepts in a convenient and digestible manner.

The best advisors understand this and view their role as one of an educator, a communicator, and quasi-life coach helping their clients to make the best informed decisions they can. In an era when financial literacy should not be taken for granted, the personal touch is becoming the new normal for tomorrow's financial stability and successful financial outcome for each client.

Consider a recent study by J. D. Power which focused on the Millennial generation's attitudes towards financial advising (researchers and demographers have different start and end dates: Pew Research Center uses 1981 to 1996). The J. D. Power survey found "while great digital experiences are important for attracting Millennial investors, technology alone will not keep them engaged. Millennials are most likely to indicate their intent to switch firms (44 percent) when they are using self-service mobile tools and advisor communication fails to meet their expectation. By contrast, when advisors deliver frequent, effective communication and show progress toward goals, Millennial likelihood of switching drops to just 17 percent."

In other words, the technology factor for millennials – and increasingly, their elders – is baked into the value formula. A strong relationship with concise and meaningful communication are the critical variables for better outcomes. When a firm has clients already deep into retirement as well as other clients entering or fully planted in the prime earning phases of their lives, a "one-size-fits-all" approach to clients or advisors serving them will not work. If team members aren't investing the time and energy in doing an information deep dive to fully know the capabilities, goals, and behavioral tendencies of each one of their clients, they are not - and cannot- be serving them properly.

The ability to formulate a diverse team, with the approach of diversity in ages and genders, is vital for a firm to successfully evolve. This is especially true in a profession where the median age of financial advisors is near 60 and there is a dramatic shortage of younger financial advisors on the immediate horizon.

The Vanguard study also reminds us that "Financial advice has undergone the same transformation, with technology liberating advisors to devote more time to advanced tasks," the report noted. "…the path to greater client satisfaction and asset growth should lead to an underappreciated destination—relationship management."

For engaged clients and for financial advisors who embrace change, the opportunities for the future will be significant.

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