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Digitalization and the Future of Client Engagement in Wealth Management

How the advisor-investor relationship is being redefined

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Executive Summary

Unlocking data and adopting bold digital strategies must be a priority for financial institutions to keep pace with consumers' expectations and engage clients. The use of digital technologies in wealth management is essential to creating intuitive, real-time, holistic and personalized experiences. This paper will explore how such technologies, including artificial intelligence (AI) and robotic process automation (RPA), can drive increased productivity and efficiency while enhancing wealth manager and investor interaction and engagement.

The Changing Tide in Wealth Management

The latest technological innovations are pushing the boundaries of what's possible, practical, and expected from financial institutions and wealth managers. This comes at a time when popular consumer brands are incorporating machine learning, natural language processing and bots, into their services. The result is that consumers are beginning to navigate daily tasks on their own and in real time. That experience is having a profound impact on wealth management as seeking easy, quick digital access and frictionless ways to handle financial tasks and investments becomes a priority for clients.

Acknowledging this digital future, financial institutions are shifting their focus towards establishing meaningful strategies that improve workflows for financial advisors and help investors simplify their lives. Moving forward means understanding these shifting expectations as well as rethinking the operating model that defines the client relationship by providing digital services that are intuitive, personalized and real time. For their part, financial technology providers must be able to support those capabilities via a built-in integrated user experience layer. Financial institutions should also have the choice of leveraging APIs to control the user experience and offer exceptional service.

A sea change is underway. Those financial institutions that can get ahead of the curve on digital technology stand to win unparalleled advantages over rivals – not just in efficiency of management, but in employee retention, branding, and customer acquisition, engagement, and loyalty.

"Advances in artificial intelligence promise to deliver a second big bang to the wealth management universe."

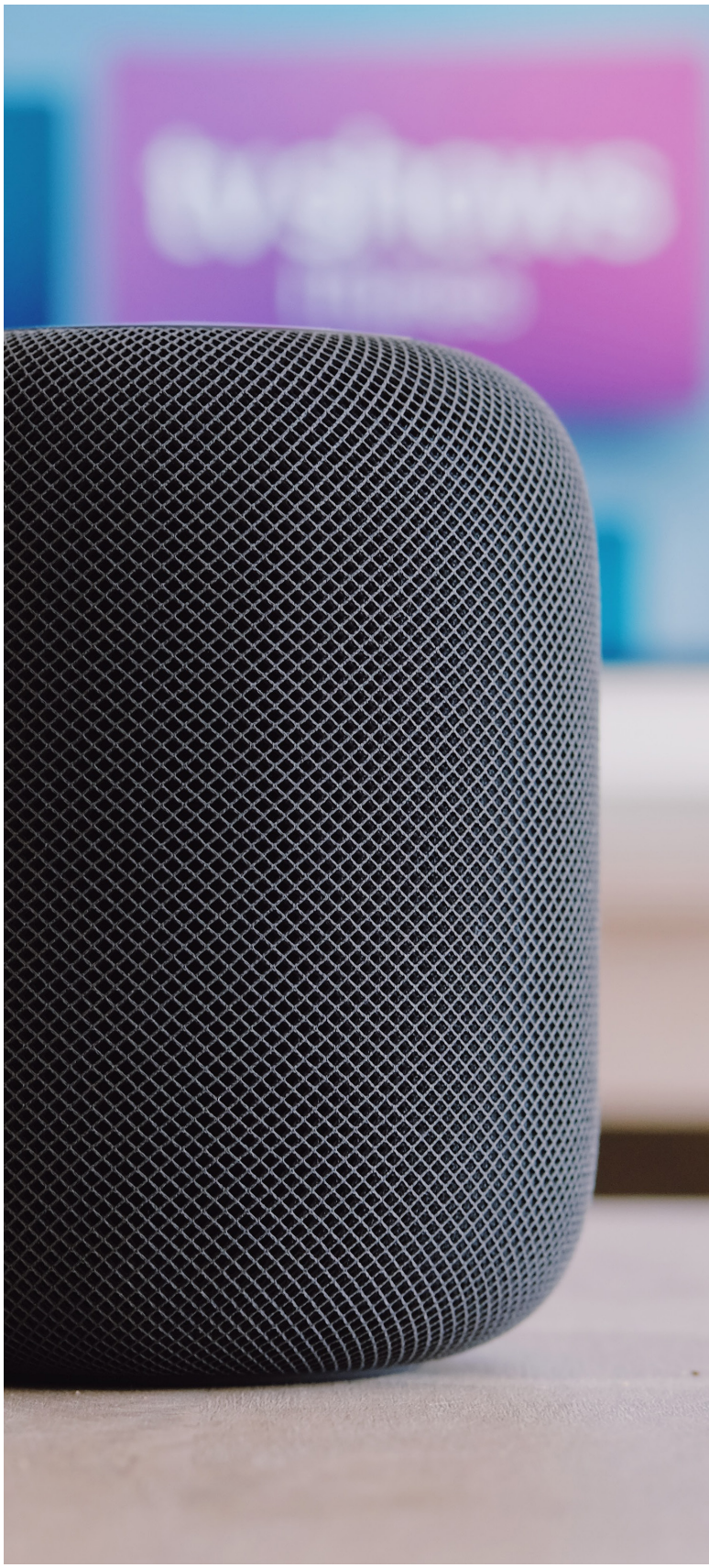
Artificial Intelligence Is Creating a New Kind of Financial Advice

New online tools have made financial and planning services more accessible to everyone. Advances in artificial intelligence promise to deliver a second big bang to the wealth management universe, radically changing the level to which consumers will be able to assess their financial health, make investment decisions and plan for long-term goals – wherever and whenever they desire.

For financial institutions, advancements in machine learning and AI will create opportunities to expand customer relationships, deliver better advice and lower their costs. Using these capabilities to facilitate improved financial education is a good first step, followed by enhancing financial planning and monitoring customers' progress toward their goals.

Already, the major players in wealth management are offering financial literacy content through their websites and have introduced robo-advisors to guide investing decisions. And the nation's largest banks are deploying voice and text bots that use machine learning to offer tailored suggestions for customers to improve their finances.

We are not far from the day when customers will be using voice banking to ask for the balance of an investment account or to identify long- and short-term capital gains that can be taken to optimize tax efficiency.



The Future of Client Engagement: Holistic and Personalized

To stay innovative, financial institutions must keep pace with consumers' needs and changing expectations. But that will require more than easy-to-use digital offerings that give a full view of investments and finances. Today's consumers are looking for significantly more convenient ways to manage and move money in pursuit of their goals.

As a result, financial institutions and advisors need to expand beyond a financial-assets-and-liabilities mentality, identifying opportunities for deeper conversations about aspirations and goals that include personal health, leisure, estate planning, and long-term care. That directly correlates to the need for financial advisors to transform their operating model closer to that of a life coach.

Investors are also demanding more transparent products and services as they play an increasingly active role in managing their wealth. Whether the need is for holistic financial planning or help with the care of aging parents, paying for education or finding the optimal way to rebalance a portfolio, a 360-degree view can help engage an increasingly diverse investor base.

Today's investors have come to expect personalized service as well as on-demand digital engagement. That requires financial institutions to thoroughly understand the needs of clients and advisors. Whether providing self-service capabilities or a combination of digital and human engagement, the goal is always a better, more personalized customer experience.

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Advice in a Collaborative Digital Channel

New client tools at the disposal of financial advisors, such as digital advice, are helping to make advisors more efficient and freeing their time to build stronger client relationships. Whether an individual is just starting to invest, part of the mass affluent demographic or a well-established investor, digital tools provide additional ways to assess financial health and plan for long-term goals. Clients have come to expect anytime, anywhere digital solutions to manage their financial lives – ones that enable collaboration and provide an optimal user experience.

Digitalization brings the potential for greater transparency and advisor collaboration, as well as greater ease and convenience. Education and financial literacy are areas where technology can help reduce friction and provide insight into spending and saving. By analyzing patterns, advisors can recommend best courses of action. Advanced algorithms will uncover insights and foster more relevant in-person discussions about financial life goals, ultimately helping advisors provide better collaboration and guidance.

Charting a Course for Digital Transformation: Building a Framework

There is an abundance of information today on trends in the digital marketplace and wealth management. We are bombarded daily with new studies about technology and advice for developing digital strategies. It is easy to become overwhelmed. There needs to be a process in place for filtering through all of this information and making a selection. But how do you go about coming up with a strategy at this pivotal juncture in the digital age?

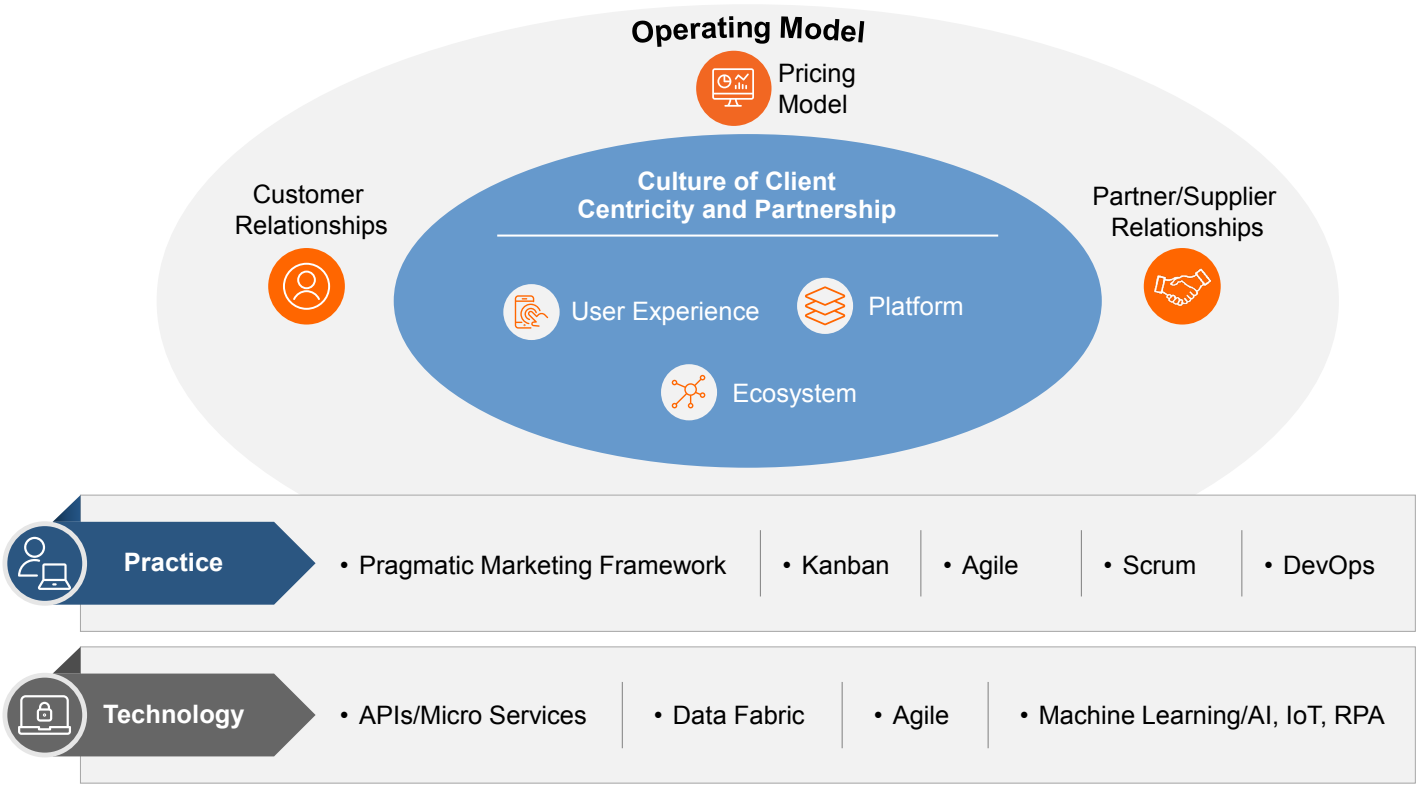
Financial institutions require a framework and a process to navigate the digital journey and evaluate and adopt winning strategies. They must filter out the noise. Just because blockchain is a hot topic, you don't have to re-engineer your current systems to use it. There may be a better way to achieve your firm's goals. For a product or technology solution to be viable it must solve an actual market problem. Begin with a strategic plan and outline your objectives. Analyze your current state and evaluate how potential solutions work with your systems and can be integrated into your workflows. Finally, remember to incorporate learning and training requirements into your plans.

Developing a Data Strategy and API Integration Framework

Data is the most important ingredient when it comes to powering digital advice. Identifying the data sets that add value to the client, advisor and the home office is the first step that must be taken before developing a data strategy. Near real-time, accurate data flow throughout an organization's front, middle and back office is necessary to provide advisors and service teams with a history of client interactions that enable more informed decisions and simplify planning. Creating an optimal digital user experience requires tight focus on integration, interactivity, big data, and analytics for client onboarding, holistic portfolio modeling simulations, personalized monitoring of investment preferences, and customized research and targeted portfolio reporting.

Establishing a data strategy is a fundamental component for digital transformation. Executing that strategy requires a roadmap for data management and controls as well as integrated data management and data governance. Organizations will need to understand their data lineage and have a well-defined structure in place in order to differentiate between clients and accounts, and a holistic way of looking to solve problems across the value chain. Starting with information from a CRM directly feeding investment proposals with goals-based plans and moving to the middle and back office will require synchronization and integration for the movement of data. How do you bring data in from a custodian, structure and move it through your processes? These are items that need to be defined.

After establishing a data strategy, an API and integration framework is needed to break away from a monolithic system and move to the next paradigm, which is creating platform as a service. For developers, this will help unleash creativity on the front end since the capabilities on the back end have been in place for many years. It will encourage new talent to come into the industry that can use those capabilities to innovate and start doing things differently. It will accelerate modernization and pave the way for a truly exceptional user experience.



Robotic Process Automation and Artificial Intelligence: The Next Frontier

There is a lot of excitement around robotic process automation (RPA) and artificial intelligence (AI) and their potential for automation in business. Together, these emerging technologies will drive significant increases in productivity and efficiency as well as unlock untapped sources of value.

RPA is the programming of machines to mimic the way humans manage and perform tasks. As a form of intelligent automation, it relies on virtual, software-based robots to imitate the activity of humans and carry out repetitive tasks. Through the use of intelligent algorithms, RPA can react to events and triggers to follow step-by-step procedures in various scenarios. In wealth management, it can take over tedious and mundane tasks that are presently performed by humans as we move towards improving expert systems, such as client onboarding, to service the advisor along with the middle and home offices. Much like the improvements to manufacturing processes that have taken place over many years, resulting in better efficiency, design, and safety, we believe wealth management is now going through a similar cycle, mirroring the automation and improvement that took place in manufacturing since the late '70s and '80s.

The first step in robotic process automation is to examine high volume tasks that rely on structured data and involve manual processes. We should start by looking at what we hope to accomplish. In wealth management, the use of RPA makes the most sense when tasks are simple, content intensive, have few exceptions, and are prone to human error. Examples include:

Client Onboarding	Financial Planning/ Data Aggregation	Trade Processing	Reconciliation	Fund Administration/ Financial Reporting
Digital tools to efficiently onboard new clients remotely with integrated applications for capturing e-signatures. Know Your Client authentication, form automation. The elimination of hard copies/multiple forms and rekeying of information.	A digital experience for clients with tools that provide real-time interaction and instant "What-If" scenarios. Interactive building of financial plans and portfolios and automated aggregation of client data.	Automates exception handling to create and trigger intelligent alerts based on certain exception criteria. Eliminates need to manually upload data files to back-office systems, as well as human mistakes. Improves process quality/volumes.	Retrieves data in numerous forms from external parties and internal accounting/ recordkeeping systems, formats information, compares data sets, and makes corrections and adjustments based on defined rules. Eliminates time-consuming reconciliation performed manually with spreadsheets. Compared to human effort, RPA can retrieve and prepare data sets in many different formats from external parties and compare based on predefined rules.	Performs validation checks across multiple segments of the financial reporting process where the process is repetitive, rule-based and prone to human error.

Delivering expert systems through RPA that better serve the wealth management industry improves accuracy and efficiency and reduces costs. It benefits compliance since tasks performed by robots will be performed the same way every time following the same rules. By enabling intelligent machines to complete tasks the way humans do, we can achieve frictionless client onboarding and improve middle and back office operations and processes and realize digitalization's potential by freeing up time to deepen client relationships.

What Is Robotic Process Automation (RPA)?

Robotic Process Automation (RPA) is the use of software and intelligent algorithms to automate business processes and tasks normally performed by humans. In wealth and asset management, which relies on processing high volumes of information and data, RPA, often referred to as "digital labor," can free human resources from repetitive and mundane tasks to focus on higher value-added activities.

Despite its name, RPA doesn't rely on the use of actual robots or machines. Instead, RPA relies on software that mimics the activity of humans to carry out repetitive tasks. These so-called software robots can carry out tedious tasks much more quickly and accurately than humans, freeing up time for higher level activities that require deeper thought.

In contrast to traditional automation, RPA can respond to event-driven scenarios or digital triggers based on the fulfillment of certain conditions to move ahead to the next process.

Cognitive Processing and Machine Learning

In contrast to RPA, which is process driven, AI is data driven and employs human-like reasoning and learning. It includes developments such as natural language processing, which utilizes speech recognition, understanding, and language generation, as well as logic and symbolic reasoning and deductive analysis.

By using AI to help customer improve their financial health and raise their awareness of spending habits, financial institutions can build greater trust and increase engagement. AI for teaching and financial literacy comes first, followed by financial and goals-based planning to monitor clients' progress. In-person discussions about clients' goals can benefit from more effective and productive meetings when advanced AI algorithms are used to provide advisors with client-specific insights at the right time – helping them deliver better guidance. Finally, by using algorithms to perform jobs normally done by humans, we can more effectively invest and manage portfolios in terms of tax efficiency, rebalancing, and other value added ways to improve performance and returns.

In the future, AI-powered solutions will be able to deliver advice that takes into account an individual's overall financial position, financial history, and spending habits. Questions can be posed to learn more about an individual's goals through a verbal-enabled UI. These brief interactions might lead to an appointment with an advisor, or a financial product or plan that is consistent with one's goals and priorities. Consumers will soon be interacting with voice recognition software to ask how they can adjust spending habits to stay on budget for the year after making a purchase. We are not far from the day we can ask Alexa® complex financial questions about spending and budgeting, or for the balance of our investments, or what long- and short-term capital gains we could take to optimize tax efficiency.

Where Is "AI" Applicable in Wealth Management?

Education & Financial Literacy – Helps to inform investors about spending habits, budgeting, and investments. Areas where technology can help remove friction include individual spending, saving and investment advice, and analyzing credit usage and spending patterns to recommend the best actions.

Financial Planning & Advice – Allows for financial and goals-based planning with virtual tools that can process large amounts of data and offer advice 'anytime, anywhere.' AI can help with savings goals, debt, and spending patterns while providing guidance on managing taxes and changing economic conditions.

Client Onboarding – Uses expert and virtual systems to enable "frictionless" onboarding and deliver seamless front-to-back office integration. User interaction takes place though AI-enabled verbal interfaces instead of mouse clicks. Onboarding timeliness can then be dramatically improved with faster document processing and more personalized services for clients with standards to ensure greater transparency and a better customer experience.

Portfolio Management – Supports decision making by analyzing vast amounts of data to achieve better performance and returns. AI can constantly monitor market conditions with greater accuracy than humans and without any emotional bias. Through its immense computational power, AI can more effectively monitor risk/reward requirements to achieve specific investment goals while complying with regulators' increasing demands for transparency.

The Critical Role of Digitalization in Wealth Management

Compared to other industries, wealth management is still playing digital catch-up. We are just entering a boom period with enormous potential for RPA and AI to improve efficiency and change the way clients communicate and how wealth is managed. For some perspective, we should look at what has taken place in the manufacturing world.

By the first half of the 20th century, workflow automation had already begun to find its place in industry and manufacturing. Industrial automation received a further push in the late '70s and '80s as the first integrated circuits appeared, contributing to a period of unprecedented economic growth. Today, robots can assemble certain products better, faster and significantly more cheaply than humans. Fast forward to today and the way products and services are being sold and delivered to consumers has radically changed.

Much in the way machine robotics have automated production, the use of digital labor, advanced algorithms and machine learning will play a critical role in transforming wealth management. In the not too distant future, AI will become the new UI, forever changing the way we interact with the systems that govern wealth management.

Key Takeaways:

- Understanding that personalization is a critical component of the digital experience is paramount for our industry.
- Developing a framework for putting a data strategy with API integration in place is fundamental for true digital transformation.
- Leveraging Robotic Process Automation (RPA) will be the best way to embark on a successful AI journey.

About the Author

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