

MEETING THE FUTURE FINANCIAL PLANNING NEEDS OF CONSUMERS THROUGH TECHNOLOGY

An AdviserSoftware.com report
commissioned by Dynamic Planner

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YOU SHOULD BE AWARE

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Preface

Dame Harriet Baldwin, MP, was quoted at the 2024 Dynamic Planner conference as saying “Only the rich, the 8%, can benefit from the healthy financial options. The remaining 92% are being left in the generic aisles”, there is a real opportunity for technology to narrow the advice gap by utilising technology, both for the consumer and the adviser.

Dame Baldwin also added “With the developments of technology in particular and more powerful artificial intelligence tools, innovators will find ways to give consumers more customised, less generic financial advice.”

This paper examines the opportunities that technology presents, and the challenges faced by consumer and adviser alike in taking advantage of them.

Consumer trends - the way that they engage and will want to engage, with financial advice

This paper also considers the way that consumers are changing and evolving their habits in the way that they obtain and receive financial advice. Some of the key messages are:

- How client technology habits are evolving across age and income demographics.
- What advisers want to meet the future head on and consumer appetite for technology within their advice relationship.
- What advice practices can do to be ready.
- What should firms look for in their approach to future proofing their client propositions.

The capability of adviser technology has developed significantly over recent years, allowing firms to consider evolving core client engagement strategies. Firms increasingly use technology in their interaction with clients. COVID accelerated the acceptance of technology as part of the process, from both the clients and the advice firms themselves, in a relatively short space of time. The increasing inclusion of AI in advice related technology is driving the rate of change faster than ever.

Analysis of demographic trends shows an increasing appetite by consumers to have multiple ways to access information and digest advice. The provision of Financial Advice is not exempt from this. A recent FTRC Consumer Research survey (carried out by Opinium) indicated that across all age groups and demographics receiving financial advice, a majority of people (51%) wanted to receive information electronically from their adviser. It appears that we may have reached and passed a tipping point.

Broadly, the working population is now split equally between those who remember life before the Internet and those who have no concept of it. This younger generation, although still in the accumulation phase of their life journey, will increasingly set the agenda for how they want to engage with financial information and advice. The FTRC research will help evidence that this also increasingly includes more of the older generations.

FTRC undertook this consumer research, in conjunction with Opinium in February & April 2024 which asked 4,000 members of the public how they wanted to access financial advice and support. This cohort was spread across:

- Baby Boomers (born 1946 – 1954)
- Gen X (born 1965 – 1980)
- Millennials (born 1981 – 1996)
- Gen Z (born 1997-2012)

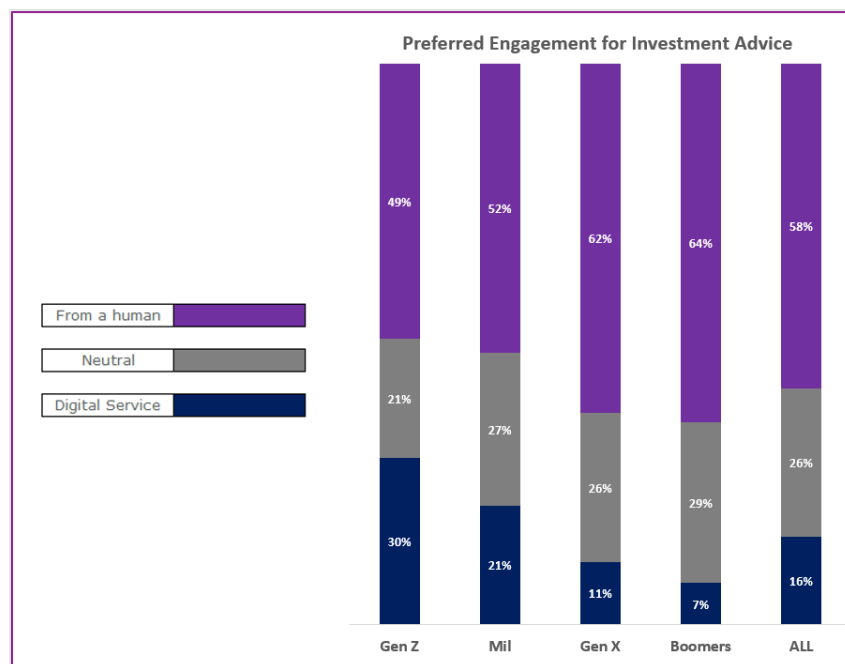
It also asked about income and aligned trends across income, age and their propensity to utilise technology in the advice process.

Two key questions asked were, ‘What is your preferred way of receiving financial advice?’ and ‘Thinking about managing your finances, would you like to track your pensions, investments and access personalised financial content via a mobile phone app?’

The results showed clearly the demand for human intervention continues to remain strong, particularly within Baby Boomers and Gen X, both of whom had over 60% who preferred human interaction only for investment advice, whereas 7% and 11% of the same groups said that they wanted investment advice as part of a digital advice service.

Contrast this with the 21% of millennials who wanted investment advice as part of a digital service and the even higher 30% of Gen Z. It is clear to see that this demand for a digital service is likely to increase. When coupled with the ‘neutral’ responses to the same question, Gen Z and Millennials are 51% and 48% respectively.

The diagram below shows the details from those surveyed in respect of investment advice:

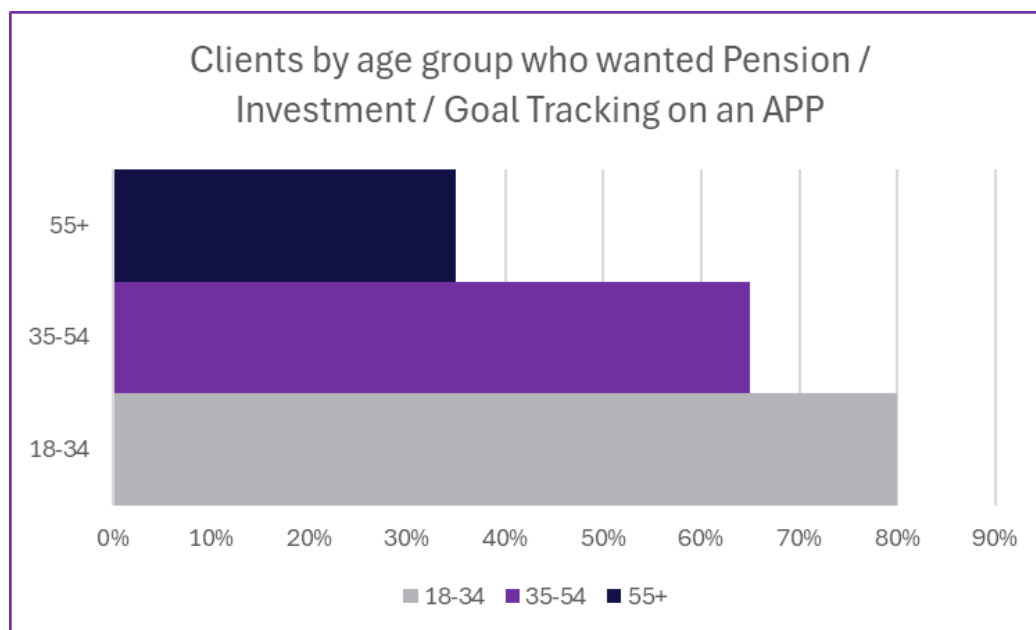


When this is aligned to the findings around the ways that consumers want to keep informed about their pensions and investments, it clearly shows the trend towards technology working in partnership with an adviser's advice process.

The research clearly shows that alongside having in-person meetings with their financial adviser, 62% would also like to track their pensions, investments and access personalised content on a mobile phone app. This increases to 80% of 18-34 year olds.

Although this proportion drops to 65% for those aged 35-54 and to 35% for those aged 55 plus overall 61% would you like to track their pensions, investments and access personalised financial content via a mobile phone app. The graph below clearly shows that the demand from the under 55s in particular.

It's clear that we have not only reached the tipping point but have actually now gone irrevocably beyond it. Advice businesses planning for their futures can no longer ignore the opportunities that technology can bring across all age demographics.



The Retail Distribution Review (RDR) and the introduction of the fee culture into wealth management challenged the way that advice firms serviced their clients. Those clients whose size of portfolio was not valuable enough to justify a fee, fell away from core propositions offered by advice firms as typically the capacity of an adviser became limited.

We have seen in recent years that this has started to be reversed, as the operational efficiencies brought by technology have allowed advisers to service more clients. A survey from Dynamic Planner (Dynamic Planner Spotlight Report) in 2023 has shown that over the last three years 70% of those advisers surveyed have been able to service more clients.

In turn, 65% of larger firms in the Dynamic Planner survey indicated that they thought that their businesses would actively grow over the next five years.

Technology facilitates how clients are engaged and serviced and helps define how they may be so in the future. Models based around the mix of technology and human intervention (also known as Hybrid) are growing the commercial opportunities for advice businesses, not just in the review and service process but also in the way that clients can be onboarded and introduced to the advice process itself. Technology is helping advice businesses to scale their client engagement capacity without necessarily needing to employ more advisers.

To meet the increasing demand from the populace, advice firms will need to be able to offer a high-quality experience that blends the best of human and digital into the client experience.

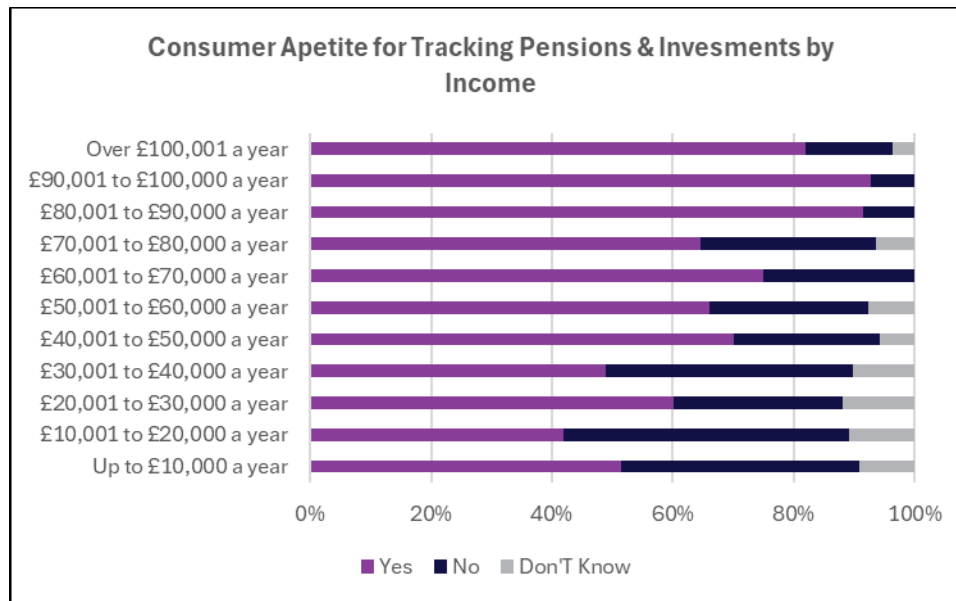
Client Income and demand for engagement by technology

We have already established that there is a very strong demand for in person advice and that this is likely to remain strong across all sectors for the foreseeable future. The FTRC survey helped reveal the impact that technology can have in the ongoing relationship with the client.

The survey helps to establish the demand for support through technology by income level and reveals some very telling insights.

Typically, the thinking has always been that high income earners are asset rich and time poor. Therefore, their desire for information outside of the review process would be limited. The survey reveals that this has changed. Having their financial plan available in the palm of their hand is now very appealing.

From those earning £60,000 or above 81% of respondents said that they would want to be able to track their Pensions and Investments via a mobile app.



Further examination of the graph above shows a very strong appetite for consumer driven tracking. For those consumers with income over £40,000 the average demand is 77% of those interviewed. This increases to over 88% for those with over £80,000 average income.

This makes compelling reading and challenges every Advice firm's capability to support this need regardless of the client's income.

Understanding what advisers want & what they will need

Research also shows that the demand for digital engagement from Gen Z and Millennials remains strong across advice on homebuying and protection. Some Millennials are now entering their mid-40's and are moving through the period of life where typically debt starts to reduce and real accumulation begins, including being the recipients of inter-generational wealth.

This group, as we have already seen within the survey has an appetite for a 'hybrid' proposition. This will almost certainly continue to evolve, the wider question for Advice Businesses is their technology able to support a rapidly evolving market, driven by consumer demand?

Getting the best from Technology

Advice firms of all sizes continue to provide good service to the clients of today but do so often in spite of the technology that they use. Frustrations over data quality, access to data across systems and the way in which the different technologies they utilise don't relate to each other, continue to prevail.

FTRC carried out a series of interviews with advice firms in 2023 & 2024, and feedback was clear and coherent. Advisers want to be able to give clients the best service they can supported by technology that delivers operational excellence. They want to be able to utilise their technology not only to engage with clients but use it to support the relationship they have. That could be with an existing client or one whom they are looking to onboard. The frustration can often be that their 'tech stack' just doesn't enable this.

Ease of use for clients & reasons for their return

Advisers want client facing technology that is easy to use. Is relatable to clients in respect of their own goals and aims and allows them to be educated as well as informed. Ideally the client uses the tech on a very regular basis, in the way that most people consume an app on their phone.

The client needs a reason to return to the tech; that could be through relevant personalised content, the high quality of the interface and being updated regularly.

Building and supporting relationships with technology

Advisers see the value of the technology they use but would like something that the client can and will use on a regular basis. They are looking for more touch points in addition to those around the review process. Often what stops them is that data quality continues to undermine the full deployment of portal capability, which in turn has led them to look for alternatives.

Over 90% of firms interviewed by FTRC thought that having the means to remain in contact with their clients throughout the advice cycle and in between, was a real positive. Allowing the client to remain connected to their portfolios, policies, products as well as goals and information was seen as a very positive thing. Consistently, the key theme brought up in these interviews was a desire for technology that also supported their relationship with the client.

The recent research very clearly articulated what is important to the consumers about utilising technology such as an APP. The top 5 points raised by clients were;

- Viewing the value of your savings & investments
- Being able to view the historical performance / value of my investments
- Seeing the progress towards your financial goals
- Be able to update the information your financial adviser has about you and your family
- Ability to link my bank / savings accounts via Open Banking to view all my financial data in one app

Advisers want their clients to see that they are investing in technology and keeping pace with the market. The provision of technology that supports the client relationship will start to become a differentiator for consumers who are looking to choose a provider of Financial Advice.

Consumer duty, good outcomes and value

Consumer Duty has also thrown the spotlight on client value and supporting good outcomes for clients. Over time the pressure to reduce costs and evidence value will increase. To keep margins healthy and continue to invest, advice firms will continue to look for ways to streamline costs.

Becoming leaner operationally will also help progress the firm's propositional thinking, in particular propositions that involve the client directly in the advice process. The FTRC consumer survey shows that even in servicing there is an increasing demand coming from the Gen Z (57% Yes & Neutrals) & Millennial (51% Yes & Neutral) population to be engaged with a digital service. This also creates the opportunity for the adviser to service more clients.

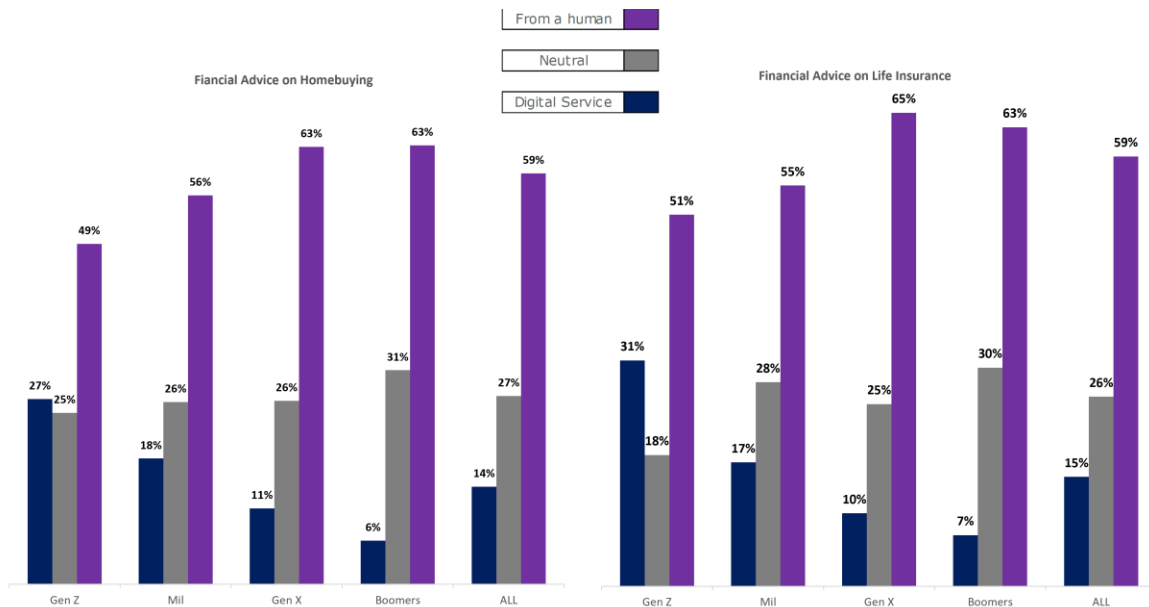
Seamless technology stack

Regardless of whether firms use their Practice Management System for the majority of their technology needs, or a combination of one and a series of other 'best of breed' tools, the real desire is for their technology to be as seamlessly integrated as possible. Being able to obtain, use and re-use client data across core processes helps to ensure better data integrity, which in turn means that what the client sees digitally is more accurate and reliable.

The AdviserSoftware.com Adviser Technology Index suggests that 67% of advisers actively adopt a 'best of breed' approach when selecting their technology and 60% of advisers only use 50-75% of the functionality within their PMS.

Advisers want technology to be in place to ensure that they can anticipate the needs of the next generation of clients and to ensure they remain relevant and competitive.

This seamless approach is desirable across the main areas of the client journeys, not just the wealth journey. The thirst for digital engagement from Gen Z and Millennials for homebuying and protection also remains significant, whilst on life Insurance one-in three from Gen X (born 1965-1980) want the service to be part digital, as you can see from the FTRC sourced diagram below.



Commercial viability

The cost of providing this technology will need to remain realistic and affordable. The delivery of any technology, no matter how advanced it may be, needs to remain competitive and offer value for the advice firm and enough margin for the tech provider so that they can continue to re-invest in their product roadmap.

Ideally advisers would like the client to buy into their technology to help support the firm's investment in this area. Some of this will be down to the advisers themselves and how they roll out the technology and then communicate and educate the client.

The list of things an adviser wants can be extensive and the below is by no means an exhaustive list. But the key message is clear, the adviser will need a joined-up approach to enable their clients to engage digitally going forward.

Meeting the need of the consumer in the future

In order for advisers to meet the needs of the consumer in the future they will need to ensure that they create the right environment for their own technology, so that whatever is reflected back to the consumer is accurate. They need a client experience that the consumer will want to revisit and perhaps even widen their relationship because of it.

There are some guiding principles that can be adopted to help the advice firm meet these needs:

- Get the data right.
- Adopt a tech strategy.
- Pick the right tech partners.
- Think about who you could service and how.
- Invest in yourselves.
- Invest in the client's know how.
- Put the client's plan at the heart of your relationship.

Get the data right

As we have previously mentioned, if you want to involve the client in a part digitally supported process, then the data you have on them needs to be accurate. A client portal or app is a mirror of the data you keep on them, so you need to be sure that it is accurate. Ensure that someone is responsible for data excellence within your company.

Adopt a tech strategy/vision

Having a clear strategy about your technology and how you want to build it will ultimately lead to a better, joined up tech stack that in turn will benefit the client as well as your internal processes. If you don't feel capable of creating one, look for help.

Pick the right tech partners

Whomever you choose it should be in line with your strategy. Software vendors who deliver quality products, on time and as promised are always worthy of the cost, even if sometimes they are more expensive than others. The reciprocal savings because of the reliability and how well it fits into your process design should more than cover any extra outlay.

Look carefully at the roadmap of your tech partners. Will what they are going to deliver be in line with your own thinking?

Think about who you could service and how – be creative about client engagement

It's clear from the FTRC survey that technology can help support the client relationship in the future.

Your technology should be an enabler of all your client types. Technology should allow you to be creative about the propositional shapes through which you service your client bank. It should allow you to be able to know what it costs to deliver your services to the client segments you look after. This could mean servicing more clients per adviser or more and different client types. Once you have your tech in place you will be able to become creative about client engagement, different client journeys and the internal processes that support them.

Invest in yourselves

Change costs money, be that through the time taken to process re-design, acquiring new tech, education/training, etc. If your vision for client propositions is clear, as well as your tech strategy to get there, then it is important to invest in the future. The message from the FTRC consumer survey is clear, the trend is that digital engagement is an expectation and sometimes a preferred method of interaction. The value of your company in the future will no doubt also depend on how you invest in yourselves to look after the needs of the future consumer.

Invest in the clients - Put the client's plan at the heart of the relationship

Something we hear often is that there is a lack of take up from the customer in respect of client portals in particular and that they are used in a piecemeal, infrequent fashion. Clients should have a reason to return to your client facing technology. We have seen the main reasons, ensure that your tech stack can deliver these, such as the value of holdings and progress against goals. Look for content that can be tailored to their needs that brings them back to your tool frequently, not just when you message them.

The client should find the tool easy to use and associate your brand with a high-quality interface that delivers exactly what they need. As a result of delivering these core areas the clients themselves will start to have more options around how they engage with your brand. It may well be possible to create 'nursery' propositions for clients of lower asset value and by doing so create brand loyalty for when they are in need of further advice services, as well as a way of providing a service for clients who have decumulated significantly.

Summary

We can see there is and will continue to be a very healthy demand for face-to-face/human engagement. However, we are also seeing those consumers from Gen Z & Millennials providing an undeniable appetite for digital engagement, indicating that the market is continuing to change quickly and in many ways, very positively for advice businesses.

The average number of clients being serviced per adviser seems to be on the rise and there is acknowledgement from the clients themselves that digital engagement is a de facto part of many adviser propositions, even if it is only an e-signature at this time.

Client's income is no barrier to the adoption of technology. In fact the research suggests it will become something the client will expect regardless of income levels. Accessing information about their pensions and investments will almost certainly become a standard part of a client proposition. The lack of real progress in the adoption of client portals as an everyday touchpoint, is pushing the potential value of technology such as Apps.

Advisers can meet the burgeoning need for digital engagement initially by looking to improve the key areas that have been identified. By improving these and looking for the right tech partners, the efficiencies gained within the advice firm will reinforce the client's relationship with the adviser brand, whilst in doing so help support its Consumer Duty obligations.

Now is the time for the industry to acknowledge that it can increase its ability to serve more consumers. By adopting innovative technology that helps consumers across all demographics, it creates real opportunities for advice firms and better outcomes for consumers, very much in line with Dame Baldwin's comments.

With these good technology practices in place, there is every reason to believe the adviser market can go a long way towards meeting the future demands of the consumer.

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