FINANCIAL PLANNING'S FUTURE:

THE BUILDING BLOCKS TO SUPERIOR CLIENT SERVICE

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Financial Planning's Future—
Building Blocks to Superior Client Service

While the coronavirus crisis causes more brick and mortar businesses to shutter as consumers seek social-distance safe havens, the incredible value convenient technology and on-demand access/ services provide has rarely (never) been more apparent.

Nearly every industry is now dominated by technological innovation—financial services is no different, with many predicting a flood of new software and services as a result of all that's recently happened. Advisors quickly realize rapidly advancing technology is a complement, not a competitor, and frees up time for more client-centric, revenue-generating activity. It's also useful in calming clients during current market craziness, ensuring poor returns aren't compounded with emotional decisions.

This new technology partnership is what advisor, author and industry speaker Michael Kitces referred to as a "cyborg advisor," a combination of the best human and digital qualities for a superior customer experience (CX).[1]

Broker-dealers with whom advisors partner face similar issues; finding the right balance between services offered directly to the client to increase efficiencies and ease-of-use, without alienating the advisor and diminishing the value they provide, especially at a time like this. It can aid advisors in uncovering hidden biases in how investment decisions are made, guard against overreactions, flag compliance violations in the advice delivered and elevate the user experience beyond what's traditionally been provided.

Increasingly, hyper-customization of the financial planning experience appears to be the answer, which involves a more modular experience to allow customers to engage in planning topics of their choice and at their own pace. They include retirement savings, Social Security, health-care expenditures, debt-management options, tax planning, decumulation scenarios and many others.[2]

Investors can receive needed information on each topic while taking incremental steps toward desired outcomes or reassuring results. These financial planning platforms personalize the experience for each investor in a manner that builds efficiencies for the firm overall.

And they're predictive, **allowing advisors to better anticipate *what* interests a client at the exact moment when the client is interested**—leading to more relevancy and choice in the decisions they make in both good markets and bad.

Yet any discussion of customization, of course, involves scale, especially for small-to-midsize enterprise firms, and with it, the critical role technology plays. How can advisors effectively implement customized solutions without breaking the proverbial bank?

While the use of technology is certainly a key component, the experience is designed in a way that deepens the investor-advisor experience through behavioral nudges to influence and encourage the "right" course of action, however that's determined and in line with the investor's individual situation and objectives.

[1] "The Advisor of The Future Is Not Human nor Robot, But Cyborg." kitces.com. July 29, 2013.
[2] "Technology helps advisors take financial planning to the next level for clients." CNBC.com. May 30, 2019

With ongoing fee compression within the financial services industry, attitudes about fees associated with financial advice are headed in the opposite direction.

Over half of investors are willing to pay for financial advice, a 15% jump in the past decade,[3] and adding advice in a number of financial planning categories is crucial to moving forward.

With that in mind, what innovative trends are taking place in financial planning customization, and how are financial service advisory firms taking advantage to increase efficiencies, decrease costs and—more importantly—better serve clients? What can be done to ensure efficient and effective advisor performance as the pandemic continues to unfold?

A Suitable Fit

Using several different data points entered online, shoppers can receive custom-fit dress shirts delivered directly to their homes. It's especially relevant with all that's happening. Help with measurements is conveniently provided without ever having to leave their living rooms, and color, styles and price ranges are all accounted for with the click of a mouse.

Or so one would think.

In actuality, measurements are rarely right, fine-tuning is needed and—as consumers are quickly realizing—the tailor's involvement is still integral to client comfort and satisfaction.

Employing a suitability metaphor, financial technology (fintech) is borrowing from its retail counterparts. Data points are similarly deployed and tailored to investor needs that include efficiencies to more effectively scale advisor offerings.

They provide advisors and investors with better analytical tools to determine appropriate products and services to recommend in keeping with "know your client" (KYC) compliance requirements.

However, while new technology enhances the financial professional's performance and the manner in which they serve their clients,

advisor involvement is nonetheless critical to ensuring client comfort and outcome success.

Subscription-based Service

Innovation in financial services, and planning in particular, typically lags, mainly due to compliance concerns and legacy infrastructure that makes technology adoption initially difficult. Advisors are known to use various tech tools long past obsolescence (think Excel spreadsheets), and those that institute new platforms often utilize only a fraction of their full capabilities.

Indeed, a recent study found that 75 percent of advisors feel they could get greater leverage from the technology tools at their disposal, and less than half rated those offered by broker-dealers as "easy to use." Yet, as global economic uncertainty plays out, it might be about to change. Interestingly, the study also noted that older advisors aren't as resistant to new technologies as some people think, especially when older and younger advisors are on the same team[4].

For these reasons, service providers are looking to offer more intuitive options to "nudge" advisors to increase adobption and utilization and better engage digitally-savvy clients. For example, subscription-based pricing models, which rely heavily on automation and analytics, are getting attention, as more advisors increasingly look to alternative fee structures as a way to diversify their business beyond traditional AUM fees.[5]

This type of subscription-based delivery of goods and services has existed in other industries for some time. Gym memberships and movie channels have

[3]"The Cerulli Edge—U.S. Asset and Wealth Management Edition." Cerulli.com. April 4, 2019
[4]"Advisors Say They Are Underutilizing Financial Technology." January 11, 2019. Fa-mag.com.
[5]"We've struck a chord': Schwab's subscription pricing helps bring in $1bn." Citywireusa.com. July 11, 2019.

employed the model for decades, and newer industries like ready-to-eat meals and—yes—financial planning are now on board.

Charles Schwab released its new subscription pricing model in March 2019. Comparisons were immediately made to Netflix, Hulu and Amazon Prime streaming video services, with Fortune noting that Schwab is "betting investors will binge on financial advice the way many do with their favorite shows."[6]

Users of the service receive:

- Unlimited one-on-one guidance from a Certified Financial Planner (CFP) that provides personalized financial advice based on current goals and ongoing advice as goals and circumstances change.
- A comprehensive financial plan that provides a customized roadmap for reaching financial goals.
- Ability to access the financial plan 24/7 via a "comprehensive digital planning experience," according to the company, including "the ability to modify assumptions in real-time to see how changing needs and circumstances could impact a client's overall financial picture and help them stay on track."

Clients are charged an initial one-time $300 fee for planning and a $30 monthly subscription ($90 billed quarterly) that does not change at higher asset levels.

It's resonating—and attracted $1 billion in new assets within roughly four months of its launch. Many industry observers said the move away from asset-based fees by an industry powerhouse like Schwab marked a watershed moment within the space.[7]

Block and Tackle

The Netflix, Hulu, Amazon model is particularly appropriate, as more people take to binging their favorite shows to cope with self-imposed quarantines. For financial planning, the model is taken further to include not only subscription-based pricing, but the actual design of the client-experience. The reason is simple—on-demand digital streaming services are incredibly effective at providing content they believe the individual viewer would like to consume. Yet if missed the mark, enough related content is available from which the user can choose.

Increasingly structured in a modular, topic-driven format that utilizes subject "blocks," platform providers deconstruct the traditional financial planning process to involve a more plug-and-play approach in keeping with the client's individual goals, interests and speed of comprehension. Each block essentially acts as a fishing hook to further solidify the advisor-client relationship while moving the latter towards a desired financial planning outcome.

These types of offerings are especially relevant for small-to-midsize firms that struggle with customization on their own. For larger enterprise firms, providers typically allow the private labeling of the overall platform to complement the existing customer experience while reinforcing the brand, as well as to include topics and blocks they feel are most suitable to their specific customer base.

When a client clicks on a particular block and takes action, real-time information is sent to the firm detailing actions taken. The information is then stored for better big data analysis of both the individual and the client population as a whole.

They're built to appeal to both older and younger demographic groups, but the content isn't necessarily limited for each.

For example, long-term care insurance might not initially appeal to a 35-year-old client in mid-career, but they might have parents or grandparents in need of such a product or service. If it's not something in which their interested, they'll scroll past the block much as a fan of dramas might move past the romantic comedy section on the remote.

[6]"Schwab Bets That Investors Will 'Binge' on Advice with Netflix-like Subscription Service." August 28, 2019.
[7]"Schwab subscription planning service draws $1 billion in new assets." Investmentnews.com. July 11, 2019.

If it's something in which they're interested, there's a previously-entered profile that exists "under the hood" of their age, gender, geographic location, etc. The data is retrieved and matched with information on long-term care cost, the likelihood of its need, how it's purchased and more. A notification back to the firm immediately informs the advisor of the client's interest so they can follow up.

In addition to "breaking apart" traditional financial planning and providing marketing guidance on particular products and services, a block format will inform the client of how long the process will take, similar in the way they can click to determine a movie's length or how much time is left.

It's all part of the larger entertainment and gamification experience by the financial planning industry to increase interest and engagement in marketing efforts.

For instance, husband and wife financial compatibility profiles can now be presented in a gaming format. Expectations, concerns, when the client would like to retire, when the spouse would like to retire, whether or not they want to downsize, etc. are entered and compatibility scores are generated. Items on which they agree are identified, as well as those on which they differ. The advisor can then offer the couple guidance to reach a resolution.

Similarly, quizzes about the cost of well-known goods and services (movie tickets, soda, fast food, gas, bread) in the past and predictions of the price in the future are effective methods to dramatically explain the impact of inflation on both a dollar and percentage basis.

Advisors can then use the results for deeper financial planning discussions and crisis communication to offer appropriate products and services as solutions..

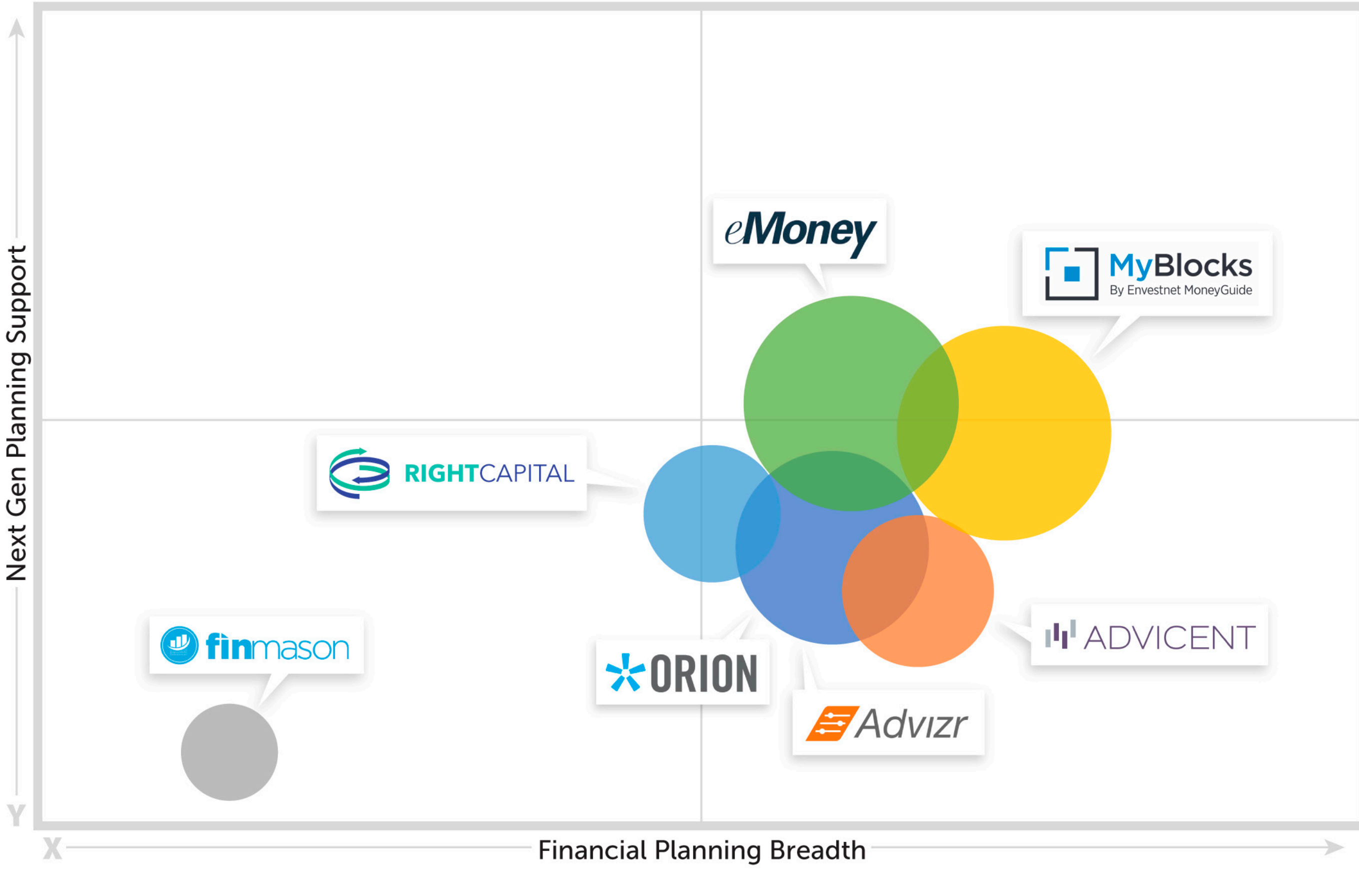
Simply put, Netflix, Hulu and video games are designed as fun, engaging experiences.

Why can't financial planning be as well?

With the right balance of customized investor technologies and irreplaceable advice that advisors can bring to the relationship, it can lead to greater customer satisfaction and better outcomes overall, something clients are desperately searching for—especially now.

BEACON RADAR: FOUR QUANDRANT CHART

Financial Planning Assessment



Source: Beacon Strategies, LLC December 2019.

The further along the X and Y-axis, the more focused on customized financial planning the unique solution becomes.

The Y-axis ranges from the bottom left quadrant (representing providers of next-gen planning and support) to the upper left quadrant (which represents providers with increasing depth and breadth in financial planning capabilities and offerings).

The farther one moves along the X-axis, the greater the focus on comprehensive financial planning. Providers in the top right quadrant are optimizing product breadth, customizing innovative services and tailoring them to the client's unique goals and objectives.

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