ThoughtLab

Wealth and asset management 4.0

How digital, social, and regulatory shifts will transform the industry

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Introduction

The pandemic has been a watershed event for the wealth industry, accelerating dramatic changes in investor attitudes, behaviors, and expectations. Our study reveals six key megatrends among investors that will alter the course of the industry: (1) a shift to digital interaction, (2) a growing desire to invest with purpose, (3) a wider demand for democratized products and services, (4) a requirement for higher integrity and standards, (5) an expectation for lower fees and pricing transparency, and (6) a greater willingness to switch providers if their needs are unmet.

These profound shifts have overturned conventional wisdom about investors. Digital is no longer just the domain of the millennial retail market; it is now preferred by older and richer investors. At the same time, millennials, like other generations, want face-to-face meetings and other contact beyond digital. Even social impact investing is no longer just for younger generations; in fact, it is now a higher priority for baby boomers than millennials and for the ultra-rich over the mass affluent.

To succeed in this transformed marketplace, wealth and asset management firms will need to revise their thinking about customers and switch from a product-centric to a customer-centric approach—one focused on the person not the demographic. That will require firms to reimagine their client segmentation and go-to-market strategies, as well as their range of products, services, and pricing models. Crucially, firms will need to kick their digital transformation programs into high gear, while finding the ideal calibration between a high-tech and a high-touch approach. Wealth and asset management firms that embrace digital transformation increase their productivity by 13.8%, AUM by 8.1%, and revenue by 7.7%.

The evidenced-based insights in this report are based on a comprehensive global survey of 2,325 investors across age and wealth levels, together with a cross-regional survey of 500 wealth and asset management firms, including investment advisory groups, private banks and trust companies, broker-dealers, robo-advisors, family offices, and retail, institutional, and alternative asset management firms. The study was concluded in November 2021.

We give special thanks to the sponsors that provided the intellectual and financial support for the program. They include Appway, Deloitte, eToro, FIS, HCL, LexisNexis® Risk Solutions, Publicis Sapient, Refinitiv, Recordsure, Salesforce, and TCC Group. Without their generous support, this study would not have been possible.



Lou Celi
CEO
ThoughtLab



Janet Lewis
Managing Editor,
Finance, ThoughtLab

> "The pandemic exponentially accelerated digitalization as a focus for many firms. The lack of face-to-face interaction encouraged firms that were reluctant to adopt digital tools to do so. The constant challenge with digitalization is the continued increase in hyper-personalization expectations."
>
> **Sabrina Bailey**
> Global Head of Wealth Management
> Refinitiv

Research background

"The global pandemic accelerated the deployment of new technology-led solutions that enabled financial organizations to ensure business continuity and remote-working management. The next challenge for firms is to ensure true alignment with long-term technology and business strategy."

Joe Norburn
CEO, TCC Group & Recordsure

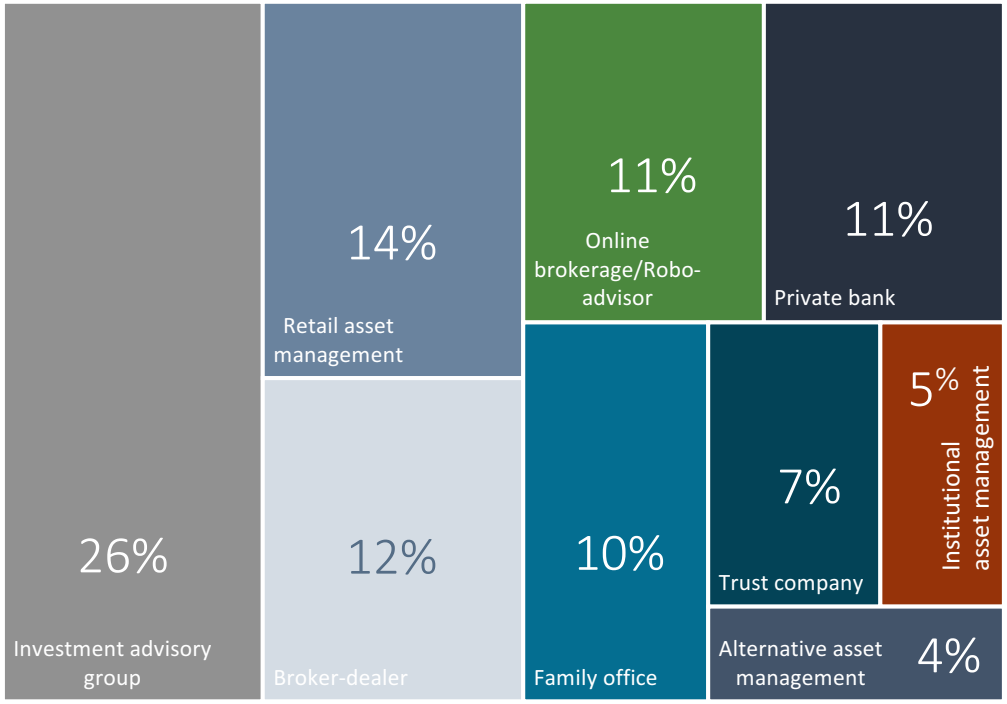
We surveyed 500 investment providers across three regions and 15 countries

A mix of providers by country, function, and type of firm

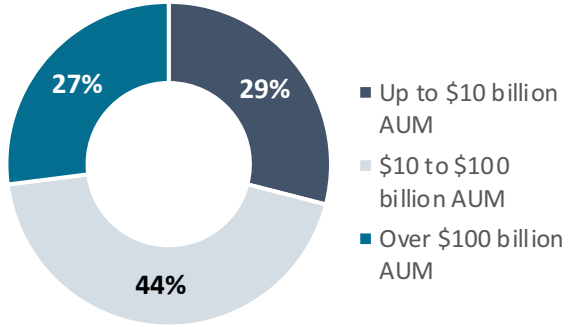
To analyze how investment firms are adapting their strategies, products, and business models to meet fast-changing investor expectations, ThoughtLab conducted a comprehensive survey in July-August of 2021 of 500 investment providers in the top investment markets around the world. The survey covered 15 countries from three different regions: 31% of the providers came from Asia-Pacific, 30% from Europe, and the reminder from North America. The survey covered a range of sectors, from investment advisory firms and retail asset managers to private banks and family offices. Half of the respondents were C-level executives, while the rest were at the managing director or senior vice president levels. Assets under management by respondent companies ranged from $500 million to $2.5 trillion or more. Roughly a fourth of companies had assets up to $10 billion. Forty-four percent of firms reported between $10 billion and $100 billion in assets, while the remaining fourth managed over $100 billion.

Countries surveyed
Asia Pacific 31%
Australia 5%
Hong Kong 6%
Japan 10%
China 6%
Singapore 4%
Europe 30%
Benelux 4%
Germany 4%
UK/Ireland 10%
France 5%
Switzerland 7%
North America 39%
Canada 11%
United States 28%

Respondents by sector



Companies surveyed by AUM



$67 billion
Average AUM

$33.5 trillion
Total AUM

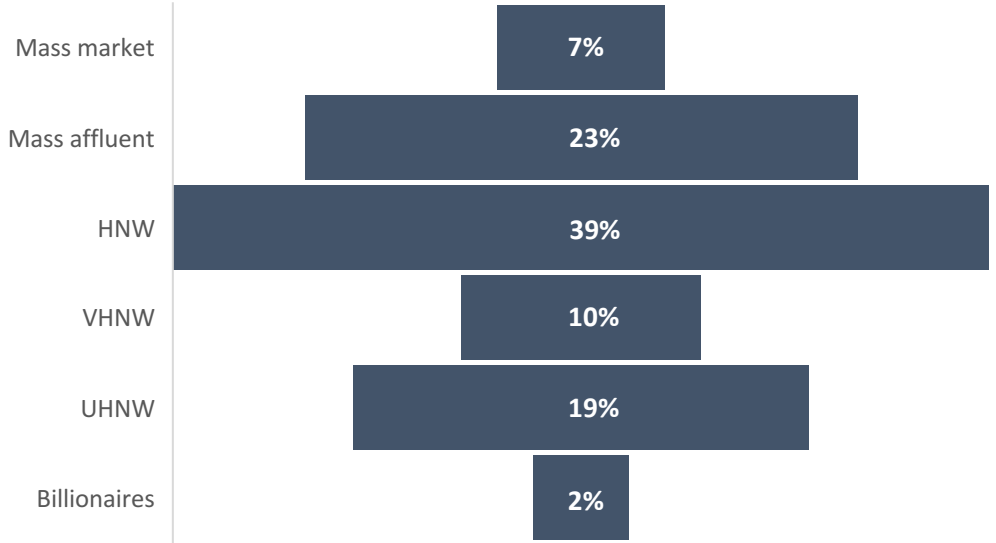
We also surveyed 2,325 investors across wealth levels, ages, and locations

A rich mix of investors by wealth, age, gender, location, and other individual characteristics

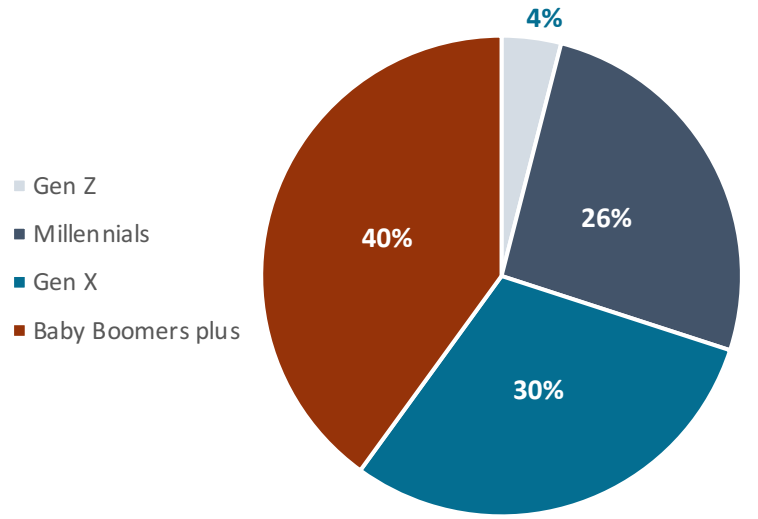
To understand how well wealth management providers are meeting the needs and expectations of their customers, we conducted a survey of a cross-section of investors who varied by wealth level, age, gender, and location. We covered four regions, including APAC, Europe, the Middle East, and North America. By wealth level, the largest share comprised high net worth (39%), followed by mass affluent (23%). By age, the largest share was made up of Baby Boomers plus (40%), followed by Gen X (30%).

Countries surveyed
Asia Pacific 23%
Australia 3%
China 6%
Hong Kong 2%
India 4%
Japan 6%
Singapore 2%
Europe 30%
Benelux 3%
France 8%
Germany 8%
Switzerland 3%
UK 8%
Middle East 4%
Saudi Arabia 2%
UAE 2%
North America 42%
Canada 3%
US 39%

Respondents by wealth level



Respondents by generation



Respondents by gender

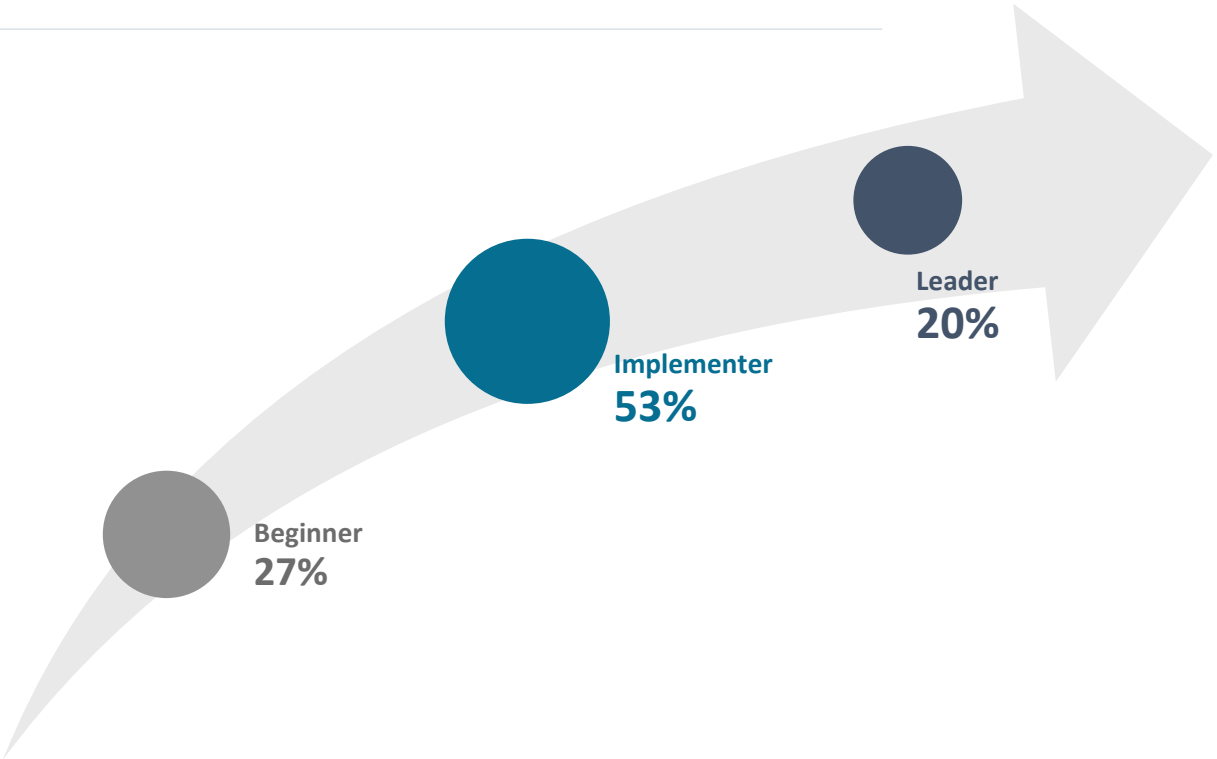


Maturity methodology

A prime objective of this research was to determine what constitutes digital leadership in the wealth and asset management industry.

To answer this question, ThoughtLab assessed firms using two key criteria: progress made on digital transformation across 12 business dimensions and ROI on digital investments in 24 business areas.

Our economists then categorized the organizations into a bell curve of three maturity stages. More than half of the surveyed companies were implementers (53%); the rest were beginners (27%) or leaders (20%).



Our digital maturity framework*

We based the three maturity categories on responses to two questions.

1. At what stage of development is your company in the following areas of digital transformation now?

We asked respondents to rate their progress on 12 business areas against a five-point scale, from not considering to advanced. The business areas included areas such as interactive customer experience, digital compliance, modernized core IT, data management, and innovation mindset.

2. For those areas where your firm has made significant investments, how would you rate the ROI that your firm has made on those investment areas?

We asked respondents to rate their ROI on significant technology investments in 24 key investment areas using a four-point scale (negative, low, average, high). The investment areas included common areas, plus specialized areas such as portfolio management, trade processing, portfolio accounting and custody, and client account servicing.

***See appendix for more detail**

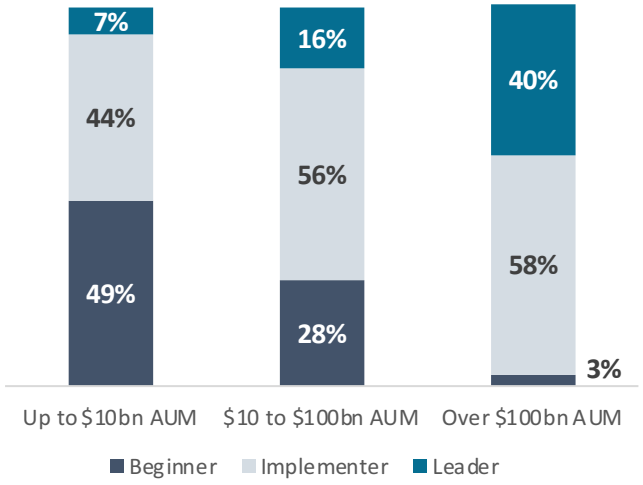
Incumbents jump ahead in digital competitiveness

When ThoughtLab conducted its last study on wealth and asset management in 2018, fintechs were well ahead of most incumbent wealth management providers in digital innovation. That has changed, with many incumbents now out in front.

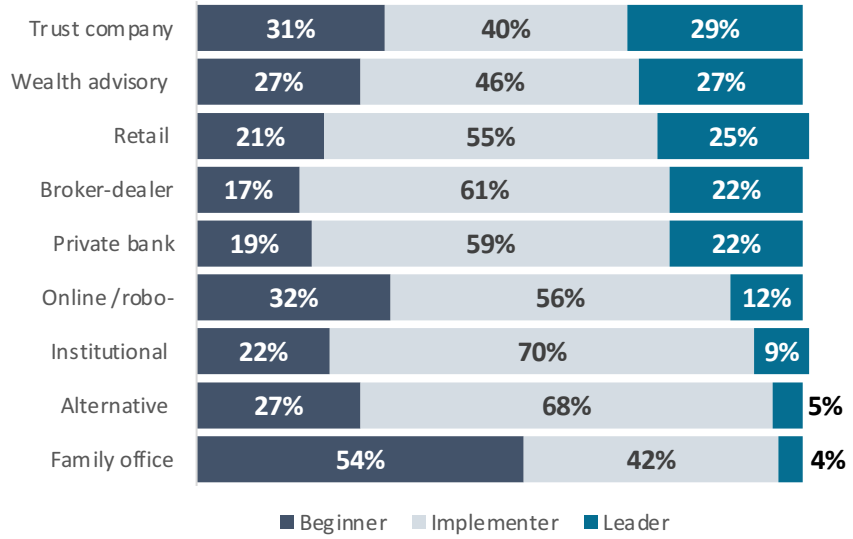
Our maturity model shows that trust firms, wealth advisory groups, and retail asset managers are furthest ahead in digital maturity, followed by broker-dealers and private banks. These incumbents are now even more digitally advanced than fintechs. There are several reasons: (1) The incumbents are much larger than fintechs, with deeper pockets to invest in digital transformation in compliance, cybersecurity, and other areas where fintechs have lagged. (2) Many fintechs are still in start-up mode, so they have not reached the critical mass needed to generate high ROI. (3) These incumbents have acquired fintechs or purchased or developed their own fintech.

But some incumbents, such as institutional and alternative asset managers, as well as family offices, are lagging in digital innovation. Family offices are the furthest behind, with more than half still just starting out on their digital journeys. The bigger the firm, the more digitally advanced. For example, only 3% of firms with over $100 billion in AUM are beginners, while 40% are leaders. North American firms are the most mature, with the fewest beginners and the most leaders, while APAC firms are trailing slightly, with almost a third still in the beginning stage.

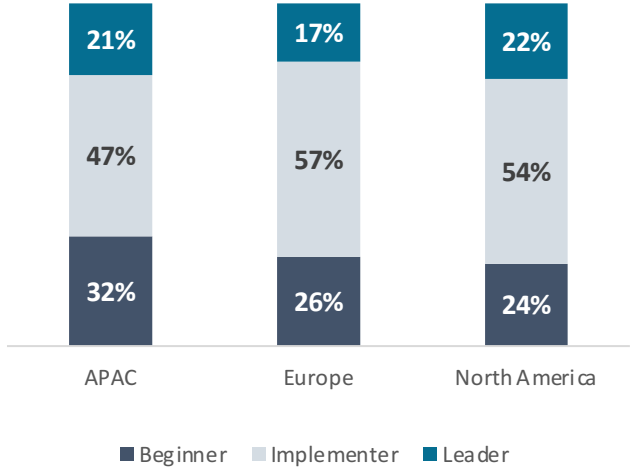
Maturity stage by firm size (AUM)



Maturity stage by firm type

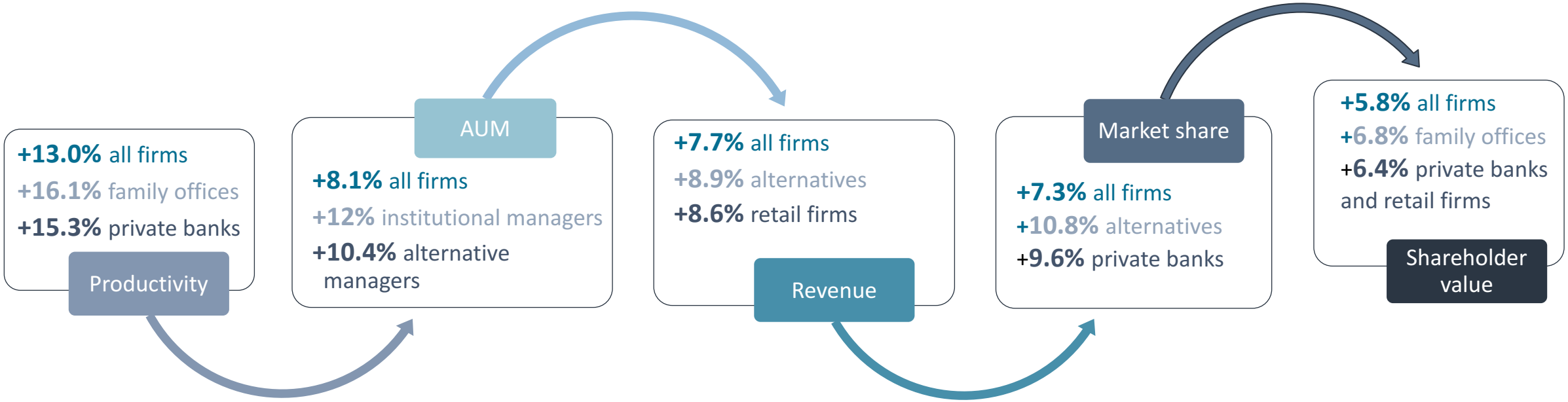


Maturity stage by region



Digital transformation boosts performance across key indicators

As wealth and asset management firms advance in digital transformation, they see steady improvement in key performance indicators. Digital innovation boosts productivity and AUM, which translates into higher revenue and market share, and eventually greater shareholder value.



The big shift

"We are living through a period of disruption that will ultimately redefine the financial services industry. Not only has COVID accelerated digital transformation, but it has also heightened environmental concerns and awareness of social justice, equality, and inclusion. These personally held beliefs can no longer be kept distinct from business."

Melissa Cullen
Global Head of Strategy,
Wealth and Retirement, FIS

The pandemic redefined investor views, relationships, and behaviors…

Views on investing

The pandemic made risk mitigation a top goal for half of investors, while raising concerns about the future economic, regulatory, and tax landscape. Over 4 out of 10 investors are now more focused on active investing and holistic planning, while 20% of investors are keen to invest for the social good.

Investment views	% citing
Risk mitigation & diversification is a key objective	50%
More concerned about regulatory & tax changes	49%
Moved from passive to active management	42%
More interested in holistic financial planning	42%
Finding new sources of returns is a larger priority	38%
More interested in investing for the social good	20%

Relationships with advisors

37% of investors relied more on advisors and 30% became more comfortable with video calls and digital tools. But the pandemic also hurt relationships when personal service was inadequate. Worries about risks and performance caused 27% of investors to move accounts to other firms.

Relationships	% citing
My advisor has found new ways to engage with me	46%
Relied on my advisor for ongoing support	37%
Became more reliant on guidance from provider	36%
More at ease working with digital tools	30%
Move my accounts to more firms to mitigate risks	27%
Poor personal service hurt my advisor relationship	24%

Behaviors and fees

Digital access became a higher priority for 40% of investors, enabling them spend more time with their finances. Investors, especially billionaires (45%), prioritized succession planning, including family members in more wealth decisions. Fees came under review, with about 4 out of 10 willing to pay fees for advice.

Behaviors and fees	% citing
I include family members more in wealth decisions	44%
I am more willing to pay fees for advice	41%
Digital access is a higher ongoing priority	40%
I spend more time with my finances & investments	38%
I prioritize succession planning	33%
I am reevaluating my wealth management fees	32%

IQ11. Which, if any, of the following statements about the impact of the pandemic on your investment attitudes and behaviors do you agree with?

…and accelerated market megatrends already in motion

Megatrend 1
Shift to digital



40% of investors say digital access has become a greater priority. **75%** of wealth executives expect digital interaction will be the norm in 2 years. **89%** of investors say their preferred channel will be mobile apps.

Megatrend 2
Investing with purpose



34% of investors will seek ESG investing advice over the next 2 years. Over 4 out of 10 providers believe that clients expect them to be knowledgeable on social impact investing and to offer ESG products and services.

Megatrend 3
Democratization



67% of investors will want to invest in alternatives and **49%** in IPOs. Also in 2 years, **58%** of investors will want personalized financial planning and **53%** will want day-to-day financial management services.

Megatrend 4
Higher standards



49% of investors say that acting in their best interests is the most effective way for advisors to build relationships with them. The same percentage of investors have become more concerned about regulatory and tax changes.

Megatrend 5
Transparent, lower fees



Only **37%** of investors are happy with their provider's fees and just **36%** are happy with their fee structures. Even fewer, **35%**, understand how their advisors are compensated.

Megatrend 6
Switching providers



Over the last year one-third of investors moved over **20%** of their funds to providers that offered what they want. Over the next 2 years, **44%** plan to do so.

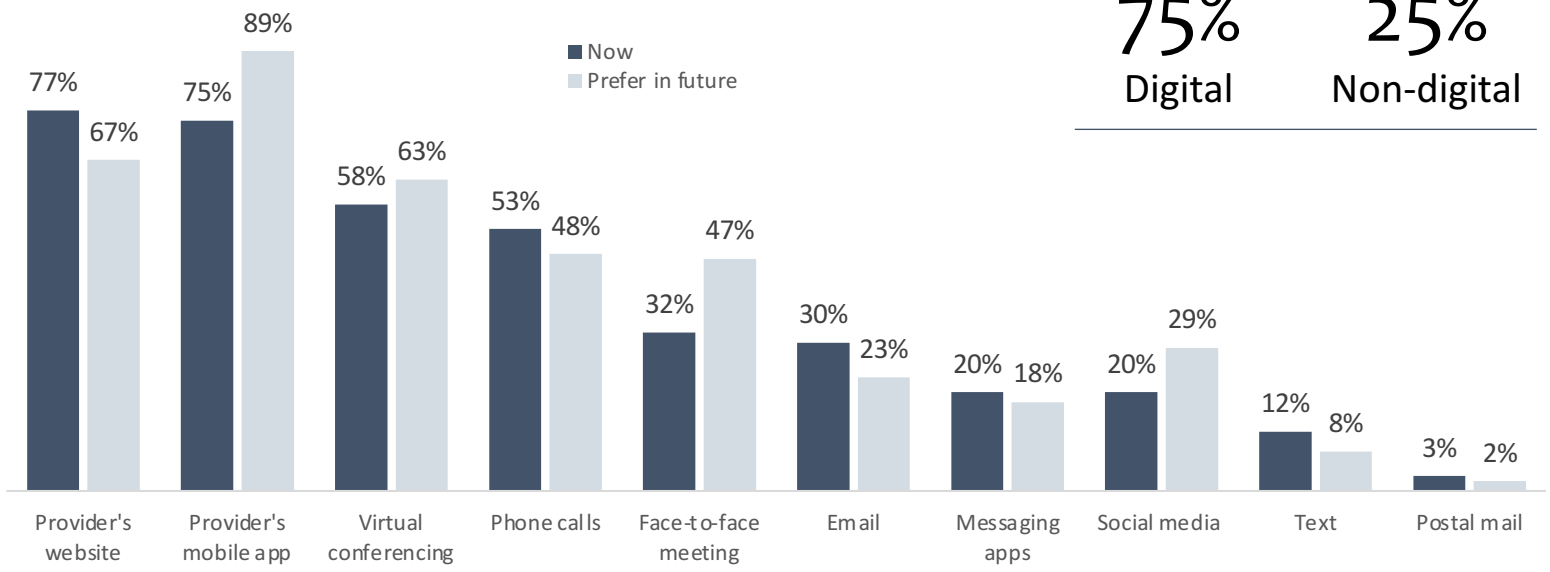
Megatrend 1
The shift to digital

Digital engagement becomes the norm

Wealth firms expect three-quarters of all their interactions with investors to be digital in two years.

Investors agree. In just two years, mobile apps will be the primary mode of engagement, followed by websites and virtual conferencing, which have overtaken both phone calls and in-person meetings. Use of websites is declining in favor of mobile apps, as is use of email, messaging, and texting, but engagement via virtual conferencing and social media is on the rise. While investors will continue to reduce their use of phone calls, they have renewed interest in face-to-face meetings as social distancing restrictions fade. Investors would like a blend of personal and virtual contact in the future.

Current channel use vs. future preference



The primary engagement channels providers expect to see in 2 years

75%	25%
Digital	Non-digital

"The end-goal of a financial manager should be to be able to create a frictionless experience for customers when they want to engage, how they want to engage, and in what channel they want to engage, in real time."

David Donovan,
Financial Services Practice Leader,
North America, Publicis Sapient



Watch here

IQ22. When you interact with your primary wealth management provider, how much do you now use each of the following channels and how much would you prefer to use them in the future?
PQ14. For the following client activities, which will be the primary mode of engagement between your firm's clients and advisors over the next two years?

Megatrend 1
The shift to digital

Mobile investing comes of age

Investors will want to carry out most of their activities from the palm of their hand in two years.

They will do less through websites and chiefly handle pre-scheduled and ad-hoc meetings with advisors through virtual conferencing—although some will continue with phone calls and face-to-face meetings. They will hardly use messaging, email, and text, and when they do, it will be mostly for receiving investment advice and ad hoc interactions with advisors.

Providers understand where the wind is blowing. However, some underestimate the future dominance of mobile apps and overestimate the likely usage of websites in the future.

Channel usage in two years: investors vs. providers

Activity and channel	Investors prefer	Providers expect
Accessing account information		
Mobile app	55%	49%
Website	22%	20%
Accessing market insights and analysis		
Mobile app	41%	36%
Website	18%	21%
Learning about products and services		
Mobile app	41%	34%
Website	26%	31%
Opening accounts		
Mobile app	45%	42%
Website	19%	25%

Investor high-tech preferences

Activities for which investors will use mobile apps the most		Where websites will be used the most		Where virtual conferencing will be used the most	
Access account info	55%	Learn about products	26%	Scheduled meetings	38%
Monitor performance	50%	Submit trades	25%	Ad hoc interaction	36%
Learn about products	41%	Portfolio rebalancing	21%	Financial planning	20%
Open accounts	45%	Monitor performance	19%	Portfolio rebalancing	25%
Submit trades	41%	Open accounts	19%	Investment advice	18%
Access market insights	41%	Access market insights	18%	Opening accounts	13%

Investor high-touch preferences

Where phone calls will be used the most		Where face-to-face will be used the most	
Ad hoc interactions	22%	Scheduled meetings	22%
Investment advice	21%	Ad hoc interactions	16%
Scheduled meetings	20%	Financial planning	16%
Portfolio rebalancing	13%	Opening accounts	15%
Financial planning	10%	Investment advice	14%
Submit trades	8%	Portfolio rebalancing	13%

IQ23. For the following key activities that you handle with your wealth management firm(s), which is the primary channel that you used before the pandemic, which do you use today, and which one would you prefer to use in the future?
PQ14. For the following client activities, which will be the primary mode of engagement between your firm's clients and advisors over the next two years?

Megatrend 1
The shift to digital

The pandemic has upended digital views about investors

Myth #1: Digital is for the young and mass market

Our research shows the opposite: channel preferences are largely the same for *millennials* and the *oldest and richest investors*.

Channel preferred in the future	UHNW and billionaires	Baby Boomers	Millennials
Provider's mobile app	89%	89%	89%
Provider's website	74%	67%	62%
Virtual conferencing	63%	63%	65%
Face-to-face meetings	41%	47%	46%

Myth #2: Millennials only want to do things digitally

Our study shows that 34% of *millennials* interact with primary wealth providers through face-to-face meetings and 46% prefer face-to-face interaction in the future. Similarly, 43% interact through phone calls, and the percentage will stay near that level in the future. The industry is moving to digital-first, not digital-only, for all generations.



The advancement of technology

Cary Rubinstein, Managing Director, Marketing, MUFG Union Bank

"Every company is going through digital transformation, and it will continue forever. As technology gets more sophisticated, wealth management firms will find new ways to understand their clients and serve them better. Every side of the business will go through digital transformation, from onboarding and transactions to wealth management advice."



The technology leap

Joe Norburn, CEO, TCC Group & Recordsure

"Leaping to the unknown world of digital might have been daunting before the pandemic, yet in hindsight, it's proving to be a commercially viable and necessary move. As the unprecedentedly steep user adoption curve indicates, investors welcomed this change, and the majority are comfortable using new digital communications methods."



The pandemic push

Paul Killik, Partner, Senior Executive Officer, Killik & Co

"The biggest disruption to wealth and asset management firms is the digitization of the industry. And COVID-19 gave that disruption a fillip. It's a global phenomenon that made clients much savvier about all things digital."

Megatrend 2
Invest with purpose

The rise of social impact investing

Wealth providers recognize the mounting importance of social impact investing to their clients: four out of 10 report that senior management is committed to social and cultural values, both in operations and investment. And greater regulation around the world will heighten the impact.

Firms believe that clients increasingly expect them to be knowledgeable about ESG and care about the provider's stance. Part of the reason that ESG is popular is that clients, according to 31% of firms, believe they can achieve high returns with ESG, and more than one-third believe their clients are willing to accept lower returns in any case. Most firms believe ESG funds generally do a good job in delivering on goals, despite controversies about transparency and metrics. However, about a quarter of firms think that ESG investing will decrease if the market falls. The biggest believers in ESG are family offices (48%), private banks (43%), and trust firms (40%). European firms are generally the most ESG driven, particularly those in France, the UK, Switzerland, and Germany—especially as new EU regulations come into force. Those in Japan and the US also score high; others are less committed.

Statements about ESG investing	% agreeing
Clients expect us to know more about social impact investing & offer ESG products	41%
Our senior management is committed to inclusion & diversity	41%
Clients care about our firm's stance on environmental & social policies	39%
ESG investing is here to stay & it will grow significantly in the years ahead	36%
Clients are willing to accept lower returns in exchange for sustainable investment goals	35%
Clients believe that they can achieve higher returns through their ESG investments	31%
Clients of all age & wealth levels are interested in ESG investing	27%
Clients care about whether ESG products meet industry-standard fund classifications	24%
Interest in ESG investing will decrease if the broader market begins to decline	24%
Most ESG funds don't do a good job in selecting companies that truly deliver on ESG goals	12%

Most ESG driven	Senior management commitment	Clients expect ESG knowledge	Clients care about stance	ESG is here to stay
Japan	51%	47%	29%	45%
France	**52%**	43%	43%	30%
United States	44%	45%	38%	37%
UK/Ireland	42%	**56%**	36%	30%
Switzerland	43%	35%	32%	46%
Germany	50%	32%	32%	41%
Middling on ESG				
Canada	29%	43%	45%	28%
Hong Kong	21%	28%	45%	**52%**
Singapore	50%	32%	32%	32%
Australia	24%	28%	**64%**	32%
Least ESG driven				
Benelux	53%	16%	32%	21%
China	32%	32%	42%	26%

PQ24. How much do you agree with the following statements about ESG?

Megatrend 2
Invest with purpose

What experts say about the future of ESG investing



Growing impact of ESG on the wealth industry

Sabrina Bailey, Global Head of Wealth Management, Refinitiv

"In the past, the prevailing mindset was that ESG investing was no more than corporate altruism. This perception has steadily changed, with investors increasingly viewing ESG investing as central to their investing strategies and wealth firms differentiating their services using ESG criteria.

"This trend is set to continue, and we expect ESG-related considerations to have ongoing and ever-greater implications for the wealth industry. We see tremendous opportunity in offering access to complete data that is transparent, granular, and standardized.

"There is also an urgent need for detailed analytics to deliver actionable insights with intuitive visualization that helps market participants make sense of data. Furthermore, ongoing education will remain crucial as investors continue to define what good governance looks like."



Incorporating ESG into your culture

Olivia Fahy
Head of Culture, TCC Group

"ESG investing is an increasing priority for investors. The focus on ESG has been gaining momentum over the last few years but has been brought into sharper focus by topics like climate change and events such as Black Lives Matter protests and the pandemic.

"But firms shouldn't just be considering how to incorporate ESG into their products, they also need to look internally and fully embed ESG factors into their strategies and organizational DNA. With organizations coming under pressure from clients, regulators, employees, and investors to be environmentally and socially responsible, future-oriented firms are already incorporating ESG factors into their organizational culture to their advantage."



Watch here



ESG regulations in Europe

Jean-François Lagassé, Global Wealth Management Leader, Financial Services Industry Leader, Deloitte Switzerland

"New regulations are going into force in Europe this year. For example, banks and insurance firms will need to report on their compliance with ESG rules. The regulations are still broad and vague in their application, so there will be considerable interpretation and greenwashing until the regulators make the rules more precise.

"But regulators will start to enforce these rules over time, and banks and insurance companies could get fined. One country at the forefront of ESG regulation has been France. ESG regulation will be forcing banks to do ratings of their loan portfolios for example. Firms that do not comply with the ESG legislation will see their borrowing costs go up."

Megatrend 2
Invest with purpose

COVID-19 has upended conventional wisdom about ESG

Myth 1
Younger generations care more about social and sustainability issues

In fact, baby boomers plan to invest more than millennials in green bonds and ESG funds over the next two years.

Investment and advice	Millennials	Boomers
Invest in green bonds	10%	15%
Invest in ESG funds	22%	32%
Use advice on social impact	29%	36%



Myth 2
Wealthy investors care less about ESG goals

Not so. Billionaires plan to invest much more in areas that seek to deliver environmental, social, and governance progress.

Investment	Billionaires	Average
Overall ESG investing	61%	34%
Invest in green bonds	50%	13%
Invest in ESG funds	36%	27%



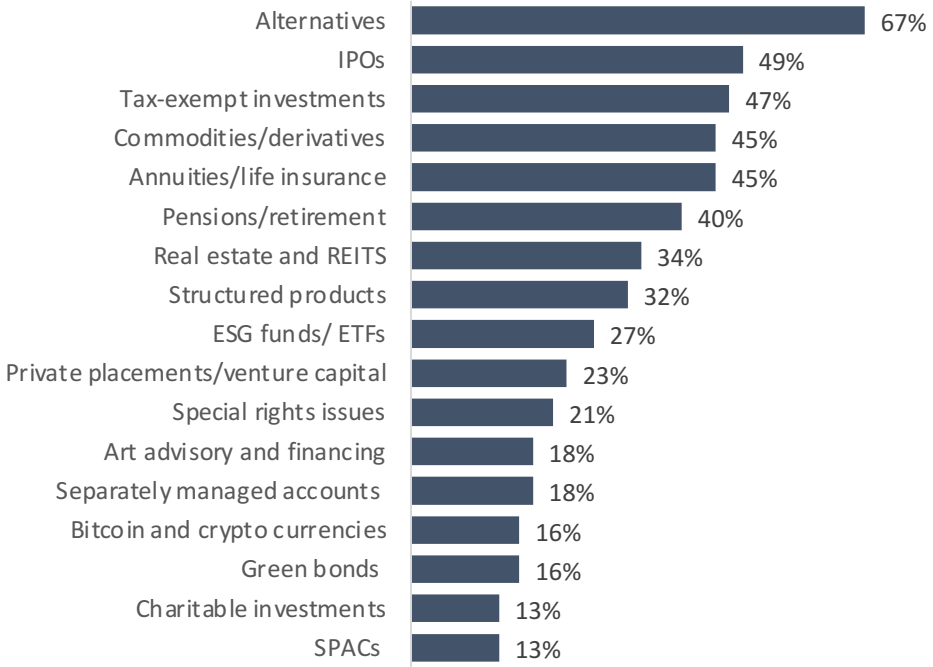
Megatrend 3
Democratization

Democratization of investment products and services

In a bid to gain alpha, clients across generations and wealth levels are seeking more specialized products.

Currently, about three-quarters of investors use actively managed mutual funds, but in two years, this share will drop slightly, while investments in passive funds and individual securities will grow. But as investors hunt for better returns, more than two-thirds plan to be using alternative investments such as hedge funds and private equity over the next two years. Investors across wealth levels are also looking to boost alpha through specialized products like IPOs, tax exempt investment, commodities and derivatives, REITs, and structured products. And as the population ages, pensions, annuities, and whole life products that offer longer-term, tax-sheltered returns are likewise moving up the priority list. The jury seems to still be out on crypto currencies—while a small percentage of investors see them as the future of money, many more are not convinced, concerned about regulatory, market, and cyber risks.

% of investors planning to use specialized products in 2 years



Plan to use, mass market/affluent vs. VHNW

Products/services	Mass market/ affluent	VHNW
Alternatives	69%	65%
IPOs	44%	51%
Tax exempt investment	59%	41%
Commodities	48%	44%
Real estate, REITs	32%	36%
Structured products	26%	28%
Art advisory and investing	16%	17%

% investors using traditional products now and in 2 years

Products	Now	2 years	Difference
Active mutual funds	74%	68%	-6%
Individual bonds	31%	39%	8%
Passive funds/ETFs	30%	39%	9%
Individual stocks	30%	37%	7%

"Wealth management providers are seeing that their customers want to diversify their investments in new areas like commodities and cryptocurrencies."

David Donovan
Financial Services Practice Leader, North America, Publicis Sapient

PQ22. Which of the following investment products will your firm be starting to offer or continue to offer in two years?
IQ27. Which of the following wealth management products and services will you start to use or use more over the next two years?

Megatrend 3
Democratization

Wealth management service needs converge across segments

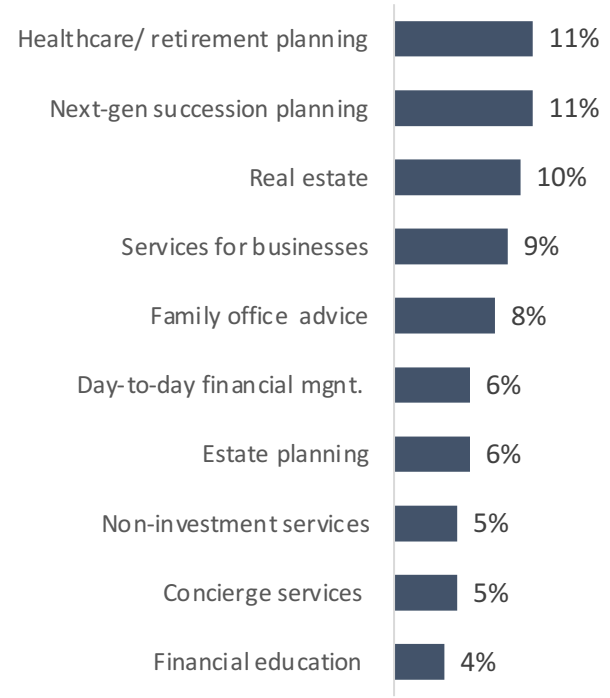
The demand for personalized, goal-based planning and other specialized services continues to grow among investors, blurring differences across segments.

More than half of investors are currently using personalized planning services and almost half are taking advice on non-investment financial services like insurance or banking and getting day-to-day financial management from their providers. In the future, the biggest growth areas for investors will be healthcare and retirement planning, next-generation succession planning, and real estate investment advice.

Our analysis shows increasing democratization of services: for example, mass market/affluent investors and the ultra rich have similar plans to use many wealth management services, such as day-to-day financial management, tax planning, and holistic advices, over the next two years.

Services investors most use now	% citing
Personal financial budgeting & planning	**56%**
Advice on non-investment financial services	**49%**
Day-to-day financial management	**47%**
Tax planning	**41%**
Holistic advice/coaching on life goals	**39%**
Planning & financial services for businesses	37%
Estate planning	35%
Financial education & training	28%
Investing in real estate	28%
Healthcare, aging, & retirement planning	22%
Planning & financial services for businesses	37%
Next-gen succession planning	21%
Concierge services (travel, etc.)	19%
Access to loans	13%
Family office set-up & governance advice	11%
Guidance on philanthropy	9%

Services used more in 2 years (% pt. growth)



Plan to use, mass market/affluent vs. UHNW

Services	Mass market/ affluent	UHNW
Personal finance planning	61%	58%
Day-to-day financial mgt	55%	52%
Non-investment services	51%	58%
Holistic advice	42%	47%
Estate planning	50%	40%
Tax planning	42%	40%
Healthcare, aging	34%	34%

IQ28. Which of the following financial planning and specialized services are you using now, and which will you start to use or use more over the next two years?

Megatrend 4
Higher standards

Investors expect firms to meet higher standards

Investors expect their advisors to act in their best interest and act ethically and with integrity. And some, especially the richest, will switch accounts if they don't.

Investors believe that the best way to build a relationship with them is to act in their best interest and be there when they need them, particularly during market disruptions, such as the one that happened during the pandemic.

Investors also put a premium on ethical business practices, leadership vision and integrity, and approach to inclusion when selecting and evaluating their wealth management relationships.

Best ways to build a relationship



Key criteria when selecting firms



59% of billionaires say that ethical business practices are a key selection criteria.

48% of billionaires say that supporting social and philanthropic initiatives is the best way for a firm to start a relationship with them.

46% of billionaires moved over 20% of their assets to another firm last year because their culture was more aligned with their social values.

IQ20. Which are the best ways for wealth management providers to attract your interest and build a relationship with you? IQ21. Which of the following aspects of the overall wealth management relationship are highly import to you when selecting and evaluation investment providers? IQ17a. Have you switched providers or made funds transfers of 20% or more of assets from one wealth management firm to another over the last year? If yes, why?

Megatrend 4
Higher standards

Regulators are upping the stakes

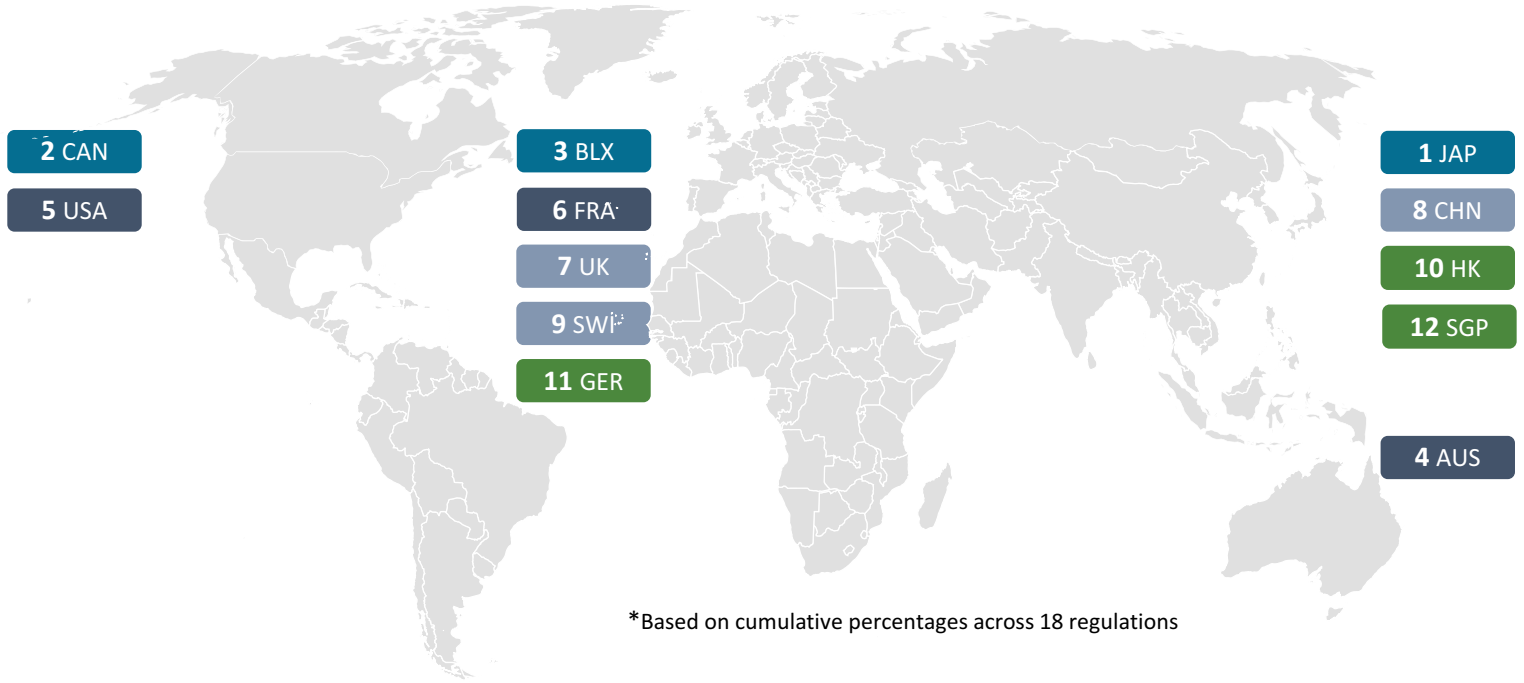
Governments around the world are on the move with new investor protection regulations, and in some areas, increasing taxes.

Providers expect the greatest regulatory headwinds from Japan, Canada, Benelux, Australia, US, and France. For example, in the US, major financial regulatory changes are expected as the Biden administration refines its policy agenda. In the SEC's 2021 Unified Agenda of Regulatory and Deregulatory Actions, SEC Chairman Gary Gensler said: "To meet our mission of protection investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, the SEC has a lot of regulatory work ahead of us." Potential areas include ESG issues, transparency, data security and privacy, fintech, and cryptocurrency. Taxes in some jurisdictions, particularly the US, are also expected to rise, a major concern for investors.

Top 10 regulations on the horizon

1. 55% Data privacy
2. 50% Cybersecurity
3. 40% Fintech-related regulation
4. 36% Investor protection
5. 33% Anti-corruption
6. 33% Risk management
7. 32% KYC/AML
8. 31% Conduct & control
9. 30% Individual accountability
10. 25% Open data and open APIs

Countries ranked by the most expected increases in regulations



*Based on cumulative percentages across 18 regulations

PQ11. Over the next two years, in the locations that you do business, where do you expect regulations to increase? PQ12. What are the main things that your firm plans to do over the next two years to respond to changing regulations and compliance policies?

Megatrend 4
Higher standards

What experts say about rising regulation



Compliance by design: Building compliance into automated workflows

Hanspeter Wolf, CEO & Founder, Appway

"With the increasing pressure from domestic and cross jurisdictional regulators, the only way to meet the array of regulatory requirements is to put digitalization at the core of what you do. Companies should start by digitalizing workflows. That is the only way to manage complexity and survive with a meaningful cost-income ratio. We call it 'compliance by design'—making workflows transparent and automatically able to comply with different regulations."



The data challenge: Capturing product information across the continuum

David Gurtner, Senior Manager & Member, Management Board, Investec Bank Switzerland

"We see a huge challenge in data management from regulatory requirements. For example, the implementation of MiFID in the European Union has led to a drastic increase in the need for data retention. Not only do we need to gather more data on our own products, but we also must process and manage data from other products. For example, we now have to declare the fees charged by a third-party fund manager."



Driving competition and investor protection through regulation

Gauthier Vincent, Principal, Deloitte Consulting LLP

"Regulators have been open to fintechs, in part to foster innovation, but also to drive more competition. It's been a thorn in the side of the large incumbents. On the flip side, regulators are very concerned about the suitability of investments to protect investors, especially retail investors, from themselves. You cannot blame the regulators, after seeing the price gyrations for some stocks just because a lot of retail investors are getting into them."



The elephant in the room: Meeting fiduciary standards

Karl Ehrsam, Principal, Deloitte & Touche LLP

"In the US, the biggest regulatory impact will come from fiduciary standards, like best interests, as well as the new DOL exemption. The Commission is pressing on wealth managers on how they are meeting best interest obligations. They want more evidence that different reasonably available options were presented to a client. Wealth management firms will need to provide more robust solutions to clients than they have in the past, and they will need evidence certifying that discussion."

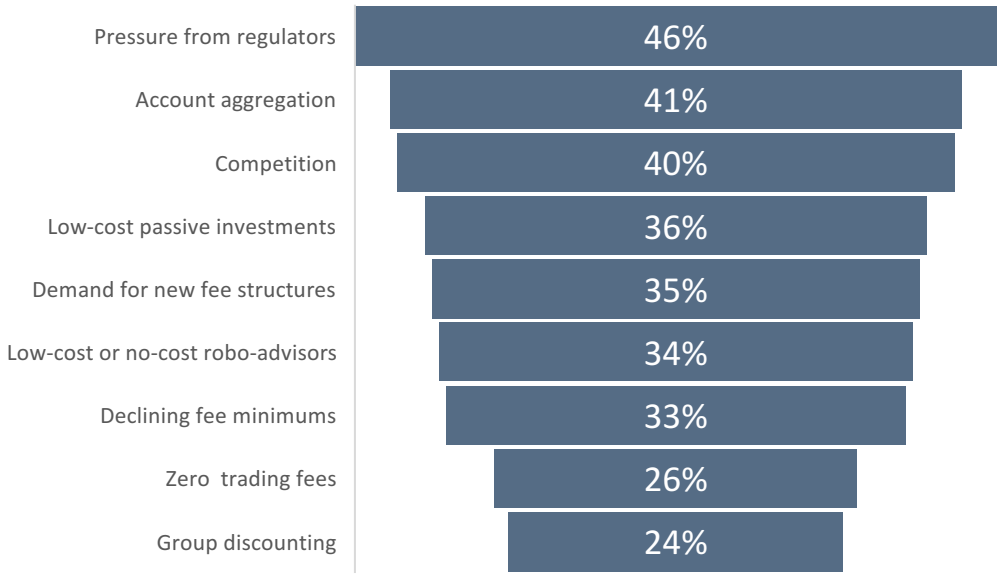
Megatrend 5
Lower fees

Lower fees and greater transparency

As trading increased during the pandemic, so did pricing pressures from all directions, including regulators, changing fee structures, and fintech competitors.

Firms are seeing the greatest pricing pressures from regulators across jurisdictions, as they implement fiduciary rules mandating more fee transparency and scrutiny. These include US best interest rules and the EU's MiFID. Firms are also seeing margin compression from account aggregation, where clients benefit from a discounted fee on their entire asset base, rather than paying fees on each individual account. Fee competition is increasing in the industry, as passive investment continues to grow, fee minimums decline, and trading fees disappear. Institutional asset managers, private banks, and retail asset managers are feeling the pricing pinch more than others.

Where firm are seeing the greatest pricing pressures



Feeling the pricing pinch: average % of all pressures

Sector	Average %
Institutional asset management	38.6%
Private bank	36.7%
Retail asset management	36.7%
Broker-dealer/wire-house	35.4%
Family/multifamily office	35.1%
All	35.0%
Investment/wealth advisory group	35.0%
Online brokerage/Robo-advisor	32.9%
Trust company	32.1%
Alternative asset management	31.7%

"The pandemic has created a trading frenzy in the markets. But it has also made investors more aware of competitive pricing from firms like Robinhood, which started the move toward zero commissions."

Vinod Raman
Vice President, Stash

PQ28. Where do you see the greatest pricing pressure in the market today?

Megatrend 5
Lower fees

Fees are a sore spot for many investors

Fewer than four out of 10 investors are happy with the fees their wealth providers charge and the way they charge them. Worse yet, only about a third understand how their wealth advisors are compensated.

Providers need to pay attention, even if low fees aren't always the top criteria for most investors when choosing a provider, especially since some of their richest clients are the most disturbed about fees and fee structures. Moreover, nearly one-fifth of investors feel they pay too much for transaction services, while 16% worry about hidden costs, and 14% find it hard to understand the fees they pay for investment services. One in 10 investors, and even more of the richest clients, would transfer more self-directed investments to discretionary accounts if fees were lower.

% agreeing with statements about fees

Statements	All investors	Agree most	Agree least
I am happy with my provider's fees for managing my assets.	37%	Mass affluent, HNW, Billionaires	UHNW
I am happy with my provider's fee structures.	36%	VHNW	UNNW
I understand how my wealth manager is compensated.	35%	Billionaires	Mass affluent
I am happy with the fees I pay when managing my assets directly.	22%	VHNW	Mass affluent
I believe I am paying too much for transaction services.	18%	HNW	Billionaires
I am concerned about hidden costs.	16%	Mass affluent	Billionaires
I believe I am paying too much for investment products.	15%	HNW, VHNW, UHNW	Billionaires
I find it hard to understand the fees for investment products.	14%	HNW	Mass affluent
I would use discretionary investing more if their fees were lower.	10%	UHNW	Mass affluent
Taking fees into account, I can outperform a wealth manager.	3%	UNHW	Mass affluent

"I think we are paying too much for transaction services. There should be fixed fees for services."
US, Mass affluent, millennial

"To keep the process clean, hidden fees and inflated spreads must be avoided."
India, HNW, Gen Xer

"My advisor's fees for managing my assets should be more transparent."
US, VHNW, Baby boomer

"Wealth management advisors must maintain an easy and simplified fee structure."
Saudi Arabia, Mass market, Gen-Xer

IQ30. How much do you agree or disagree with the following statements about fees you pay your primary investment providers or advisors?

Megatrend 5
Lower fees

What experts say about fees and transparency



Justifying higher management fees

Christopher Sparke
Global Head of Advisory Services, Refinitiv

"Fee compression is not happening across the board. It is happening the most in the basic vanilla areas of wealth management, where it is more difficult to justify a high fee. Wealth managers are striving to offer products and services that are more bespoke and specialized that can warrant a more mature management fee."



Coping with pricing compression

Brie Williams
Vice President, State Street Global Advisors

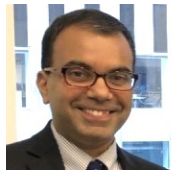
"We're all facing pricing compression. You have increasing regulation. That's a global phenomenon and continuous investment is required for business and risk management tools. So, we need to operate in an environment that gives us operational efficiency. And we must have the discipline to prioritize what we need now and what we need next. Whether the solution is technology-driven or just better time management, firms should be challenging their traditional value propositions."



Preparing for a long-term decline in fees

Gauthier Vincent
Principal, Deloitte Consulting LLP

"Overall pricing is coming down, so what does it mean? It means that you need to significantly increase the productivity of your advisors. It's important to have a sense of the magnitude. We are talking about potentially a 50% decline in the average fees per dollar of AUM, across all the things you sell as a wealth management firm. Nobody knows whether that will happen in three years or seven years or 10 years. That is the inflection shift that we are all thinking about."



The mass market pricing challenge

Vinod Raman
Vice President and Director,
Product and Operating Unit, Stash

"Mass market investors who use digital investing platforms are extremely price sensitive. They want everything to be free, literally. I'm going to go to a provider who's able to give me that for free. Then I'm going to look for simplicity and ease-of-use. Next, I'm going to look for transparency. The younger customers—I shouldn't say millennials, because they've gotten to their 40s—now want to understand what exactly happens behind the scenes for them to trust that platform."

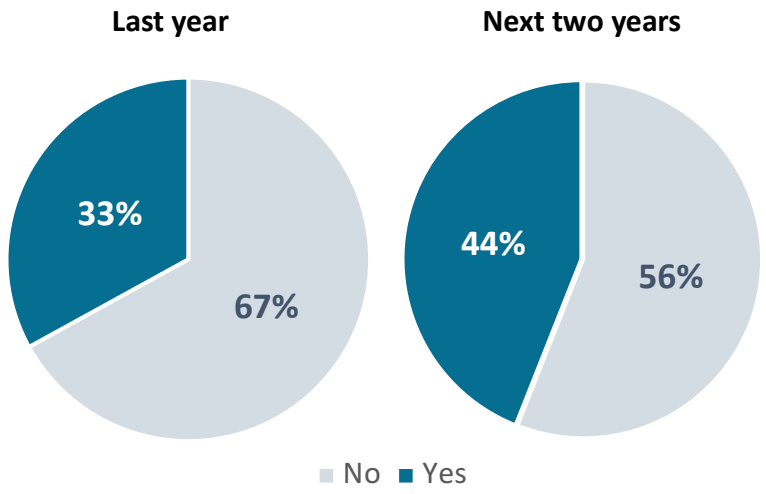
Megatrend 6
Switching providers

Investors will switch providers to get what they want

Over the last year one-third of investors moved over 20% of their funds to providers that offered what they want. Over the next two years, 44% plan to do so.

One-third of investors changed providers over the last year—and 55% of billionaires did so. Over half switched to improve their investment performance, while 42% transferred funds to firms that offered a broader range of products and services. Better wealth advice, stronger digital experience, access to greater personal service, and better pricing structures and fees are just some of the other reasons that investors transferred assets. Looking ahead, providers will want to reconsider what their clients truly want, since 44% say they will switch over the next two years to get it.

% of investors moving over 20% of funds



Reasons investors switched providers



IQ17. Have you switched providers or made funds transfers of 20% or more of assets from one wealth management firm to another over the last year? If yes, why?
IQ18. Are you likely to switch providers/make significant funds transfers of 20% or more of assets to another firm over the next two years? If yes, why?

Megatrend 6
Switching providers

Investors are likely to follow their advisors to another firm

Investors often have more loyalty to their advisors than to the firm—which adds to the market churn.

With the industry in flux, financial advisor defection poses an even greater risk to wealth management firms. Today, more than half of investors see advisors or advisory teams as their primary relationship. For both ends of the wealth spectrum—the mass market and billionaires—loyalty to advisors is even higher.

As a result, the likelihood of investors leaving a firm to follow advisors is high—over six out of 10 investors are likely or very likely to follow their advisors to another firm. For ultra-high-net-worth and billionaires, the number increases to seven out of 10.

Baby boomers and millennials are the most likely to follow advisors, Gen Xers and Zers are the least. Even so, over half are likely to follow their advisors to a new institution.

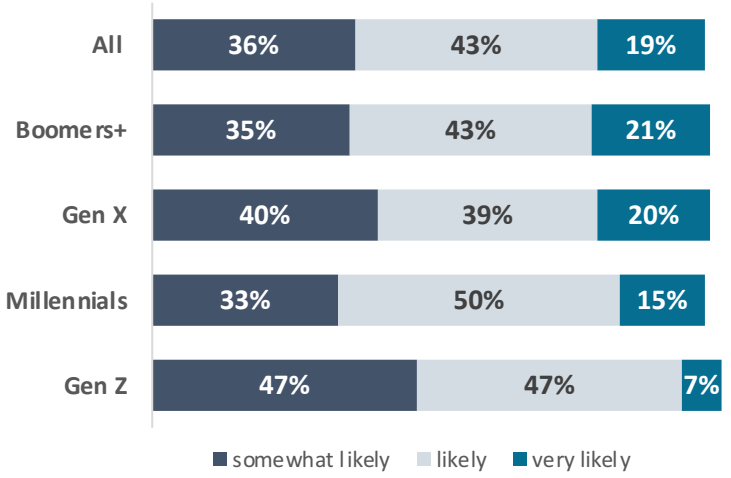
Men are more likely to leave with their advisors than woman (67% vs. 55%, respectively).

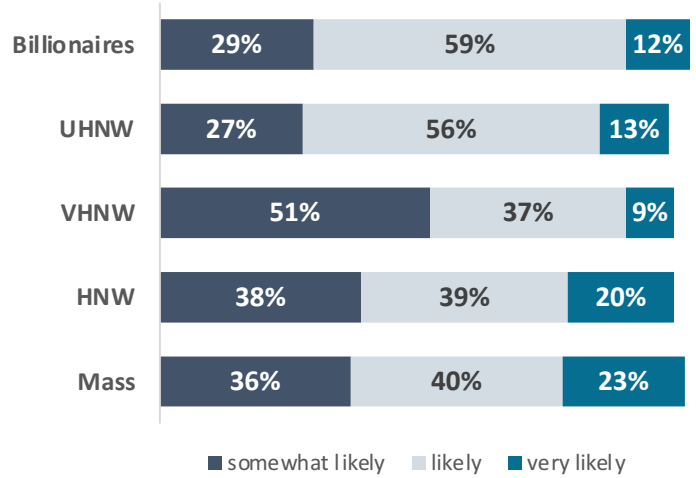
Successful wealth management firms realize that embracing digital linkages and providing access to broader holistic services not only help client relationships, but they also reinforce corporate ties.

Primary relationship

	All	Mass	HNW	VHNW	UHNW	Billion
Advisor	23%	30%	17%	18%	24%	39%
Advisory team	32%	38%	30%	33%	27%	36%
Firm	45%	32%	52%	48%	49%	25%

Likelihood to move with advisor





IQ16. Is your primary relationship with (or loyalty to) your advisor, your advisory team, or your provider/firm? IQ16a. How likely are you to follow your advisor if he/she moves to another firm?

Megatrend 6
Switching providers

Over the next two years, investors will look to add providers

In their hunt for new products and services, and better returns, many investors will add providers over the next two years, especially as they get richer. Only 6% prefer fewer providers, which may stymie efforts to consolidate client assets.

Currently investors typically have around two providers. The number increases with wealth level; for example, ultra-high net worth investors and billionaires often have three or more. Most investors will be maintaining this number of relationships in the future, but many will be adding to them. Almost half of Gen-Z and millennial respondents plan to add providers as they become wealthier.

Diversification of risk is the main reason for adding accounts, particularly for the ultra rich, who worry more—in some cases unnecessarily—about institutional risk. Investors also expand relationships to access more products and services, boost performance, and lower costs. This presents opportunities for providers that can meet those requirements to grab market share.

Number of providers investors work with now

Number of providers	Mass market/ Mass affluent	HNW	VHNW	UHNW	Billionaires	Total
1	38%	37%	25%	26%	23%	34%
2	51%	46%	42%	32%	32%	44%
3	9%	16%	25%	25%	18%	16%
4	1%	1%	7%	14%	16%	4%
5	0%	1%	2%	2%	11%	1%
Prefer more firms in future	41%	42%	47%	39%	39%	42%

Fewer or more providers in the future?

Preference	Gen Z	Millennials	Gen X	Boomers & beyond	Total
Prefer fewer provider	3%	5%	7%	5%	6%
Stay with the same number	49%	48%	49%	60%	53%
Prefer more providers	47%	47%	44%	35%	42%

Reasons to prefer more providers



IQ15. How many providers do you currently work with and what are your preferences for the future IQ15d. Why do you prefer more providers?

Investors redefined

"The most important advice for the wealth management industry is to listen to its clients. What's worked in the past will not necessarily work in the future. Those institutions that work to understand their clients' personas and their needs, and design an infrastructure that can react to them, will be the ones that win."

David Donovan
Financial Services Practice Leader
Publicis Sapient

What should providers do differently to meet client needs?

To succeed in the pandemic era, wealth management providers must listen to what their customers are saying.

Our survey of over 2,300 investors confirmed that we are transitioning into a new phase of wealth management driven by a radical shift in customer needs and expectations.

Investors have told us that they want their providers to present innovative ideas, act in their best interest, be available when they are needed, and offer holistic and social impact advice, among other things.

Many of the new demands are converging across wealth levels. So, wealth management providers should gear their efforts to the person, not the demographic. And they should shift from a product to a client focus.

Mass affluent	HNW and VHNW	UHNW, billionaires
"They should play an important role in all my investment strategies openly and transparently." **France, mass affluent baby boomer**	"My advisor should be available at anytime to provide me with the options that are best for me." **Germany, HNW millennial**	"They should focus on unique industry insights and diversified product offerings." **Singapore, billionaire baby boomer**
"Provide me with tailored advice and services to support and grow my new business." **Australia, mass affluent millennial**	"Offer holistic management of services with high-level advisory and financial planning support." **UK, HNW baby boomer**	"My advisor should provide socially and environmentally responsible investment advice." **US, Gen X billionaire**
"Forward-thinking and innovative approach for my investments to secure our long-term future." **US, mass affluent baby boomer**	"Advisors must give me innovative ideas and suggestions on investments." **US, HNW baby boomer**	"I want my financial affairs to be managed in my best interest and cost-effectively." **Germany, UHNW millennial**

Providers need to assess how well their offerings align with investor needs

What investors are looking for is not always exactly what the wealth industry is most focused on selling.

What investors want most are better ideas for investments and high returns, a simple, intuitive digital experience, providers that act ethically and in their best interests, and a wide range of products and services, including active, tax efficient, and specialized products. However, providers looking for growth are primarily stressing the personal relationship, with even online brokers and robo-advisory firms adding the human touch in the form of a hybrid model with personal advisors.

While personal availability of an advisor is important to investors, it doesn't top their lists. And focusing on a personal relationship could prove a risky strategy for wealth firms, since investors often follow their advisors to other firms. Providers are getting it right in some ways. Over half look to differentiate through superior investment performance and almost half by offering a good digital client experience.

Top 6 ways investors say firms can attract them

1. 57% Innovative investment ideas
2. 50% High returns geared to risk tolerance
3. 49% Act in my best interest
4. 48% Wide range of products and services
5. 47% Valuable advice
6. 46% Available when I need them

Top 6 criteria investors use to select firms

1. 49% Intuitive digital experience
2. 48% Ethical business practices
3. 48% Active management products
4. 48% Tax-efficient products
5. 42% Specialized products
6. 41% Leadership vision and integrity

Top 6 ways providers look to differentiate

1. 73% Personal relationships
2. 52% Investment performance
3. 48% Digital client experience
4. 40% Low, transparent fees
5. 34% In-depth research/analysis
6. 29% Holistic wealth advice

PQ25. Which of the following do you regard as the main ways that your firm can differentiate its services from competitors to attract and retain investors? IQ20. Which are the best ways for wealth management providers to attract your interest and build a relationship with you? IQ21. Which of the following aspects of the overall wealth management relationship are highly important to you when selecting and evaluating investment providers?

Market shifts during the pandemic are redefining the industry

The pandemic has accelerated the move to a more socially aware, digital-first marketplace, marked by rising competition, regulatory pressures, and economic uncertainty.

Providers recognize the pandemic's impact on investors. Over half cited the changing digital expectations of investors (55%), increasing reliance on remote working (40%), and greater data security and privacy concerns (34%). Providers also understand the need to focus on non-financial factors like ESG, with 35% investing for social impact over the next two years.

The shift to remote working is growing fastest in Asia Pacific, a region that was first hit by the pandemic and had to pivot to online work. Social impact investing will be a priority particularly in Europe, an epicenter for social and environmental regulatory activity. Cybersecurity has been a great concern in North America, particularly in the US, where the FBI reported a 300% rise in cybercrimes since the outbreak of COVID-19.

Top four market trends by region

APAC	Europe	North America
Digital expectations 54%	Digital expectations 52%	Digital expectations 57%
Remote working 46%	Focus on ESG 44%	New entrants 39%
New entrants 41%	New entrants 43%	Cybersecurity concerns 38%
Aging of wealth advisors 36%	Remote working 38%	Remote working 37%

Top trends transforming the wealth industry



PQ8. What major wealth management industry market trends do you believe will have the greatest impact on your business over the next two years?

Firms are rethinking their strategies for investor segments

As investor views, needs, and loyalties shift, competition for the wallets of the rich will heat up.

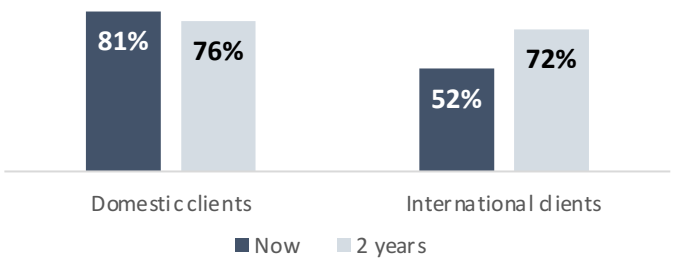
Most wealth providers will focus on going up market, while they keep their plans for the mass affluent in a holding pattern. The number of firms going after billionaires will almost double, from 11% to 20%. Most companies (over 60%) will sharpen their focus on the high-net-worth tier.

Nine out of 10 providers will set their sights on Gen-X, both now and in the future. Attending to this underserved generation is right, since Gen-X investors are expected to have twice the wealth of millennials by 2030 ($22 trillion vs. $12 trillion, according to *Forbes*).

Interest in baby boomers will grow the most over the next two years, increasing by 17 ppts, to 80%. Almost three times the number of providers will focus on the silent generation in two years, growing from 6% now to 16% in 2023. Despite forecasts that millennials would wield greater wealth than the silent generation by 2020, the latter still has more. Given their retirement needs and improvements in longevity rates, the baby boomers and beyond may hold onto their wealth longer.

Firms also are thinking outside their borders, facilitated by digital transformation. Focus on international clients will grow from 52% to 72% and on offshore accounts will climb from 45% to 64%.

Key areas of focus by types of clients and accounts



37%
of providers, especially alternative asset managers (50%) and broker-dealers (49%), plan to enter new geographic markets over the next two years.

Key areas of focus for providers

Wealth level	Now	2 years	Diff.
Mass market ($25k-$100k)	18%	12%	-6%
Mass affluent ($100k-$1m)	35%	36%	1%
High net worth tier one ($1-5m)	59%	62%	3%
High net worth tier two ($5-10m)	49%	66%	**17%**
Very high net worth ($10-30m)	34%	56%	**22%**
Ultra-high-net-worth ($30m-$1b)	24%	35%	**11%**
Billionaires (over $1b)	11%	20%	9%

Age group	Now	2 years	Diff.
Generation Z (under 25)	4%	7%	3%
Millennials (25 to 40)	61%	66%	5%
Generation X (41 to 56)	93%	96%	3%
Baby Boomers (57 to 75)	63%	80%	**17%**
Silent generation (over 75)	6%	16%	**10%**

PQ7. Please tell us your organization's key areas of focus now and over the next two years for the following groups of investors.

Going deeper into niche opportunities for growth

Wealth management firms see corporate executives, religious groups, and beneficiaries as key targets for future growth.

Over three-quarters of providers focus on the investment needs of executives. Whether they work for a specific company or run their own business, executives represent a massive opportunity. They have diverse needs and challenges—including saving for retirement, maximizing equity compensation, complying with regulations, and ensuring the financial security of their families.

Over one-third of firms focus on specific religious groups, and that percentage will rise to nearly half in two years. The percentages are even higher for broker-dealers (59%), institutional asset management firms (57%), and family offices (56%). Faith-based investing, a predecessor to social impact investing, is riding the ESG wave.

The share of firms focusing on beneficiaries will almost double to 46% in two years. Firms are preparing for the great generational wealth transfer and are seeking to retain wealth among children, often with different wealth attitudes and behaviors. While retirees have not been a target for most providers, the focus on this segment will almost double in two years, from 10% to 19%.

Although an unprecedented amount of assets will shift into the hands of women over the years ahead (and estimated $30 trillion in the US by 2030), wealth providers are less often singling out women as an investment segment, since differences in investment behaviors between genders have largely disappeared in recent years.

Investor type	Now	2 years	Diff.
Corporate executives	77%	79%	2%
Employees of specific companies	54%	63%	9%
Entrepreneur/ business owner	55%	62%	7%
Specific religious groups	35%	48%	13%
Beneficiaries of existing clients	24%	46%	22%
Women	19%	26%	7%
Specific cultural/ethnic groups	21%	25%	4%
Retirees (or planning to retire)	10%	19%	9%
Physicians/dentists	14%	18%	4%
Recently divorced	9%	10%	1%
Professional athletes/entertainers	9%	9%	0%

> "Communicating with clients digitally is one thing; the real differentiator is the ability to personalize these interactions to build strong, sustainable, and trusted relationships. Providing sound investment advice, personalized to the specific needs of investors by truly understanding their situation, needs, wants, values and desires, will be the real differentiator."
>
> **Sabrina Bailey, Global Head of Wealth Management, Refinitiv**

PQ7. Please tell us your organization's key areas of focus now and over the next two years for the following groups of investors.

Avoiding market misconceptions

Our investor survey shows the need for wealth management firms to align their strategies with new market realities.

MISCONCEPTION 1

Wealth providers can drive huge gains by consolidating client assets

In fact, only 6% of investors surveyed prefer fewer providers in the future; 53% want to stay with the same number and 42% prefer more. Providers would be smart to focus on investment performance and broader offerings, which are the main reasons that clients would consider switching over the next two years.

MISCONCEPTION 2

The best way for providers to differentiate themselves is through personal relationships

Not so. Our survey shows that providing innovative investment ideas is that best way to attract investors, cited by 57%. And simple intuitive digital experiences, ethical business practices, active management products, and tax-efficient investments are now the top criteria that investors use when evaluating wealth providers.

MISCONCEPTION 3

Investors are generally happy with their firms' fees and pricing models

Think again. More than 6 out of 10 investors are not happy with fees or pricing structures, and many of them are doing something about it, or plan to do so. Over the last year, 23% of investors moved substantial funds to firms that offered better fee structures and another 19% to firms that offered lower fees. This trend will likely continue.

MISCONCEPTION 4

Generational wealth transfer is moving the focus from older investors to millennials

Instead, our survey shows that providers are planning to shift more attention to baby boomers (from 63% now to 80% in 2 years) than they are planning to do with millennials (61% now to 66% in 2 years). Firms are betting that baby boomers will work and live longer and will continue to be strong users of financial services.

Rethinking products, services and fees

> "The future is mobile, digital, and social. Firms that do not know who their consumers are and what their consumers want, and who do not engage with their consumers through mobile, digital, and social channels, will not be those managing over a trillion dollars ten years from today."
>
> **Yoni Assia**
> CEO, eToro

Firms are pulling out the stops to drive growth in a fast-changing market

In their push for greater growth, firms are going up, down, and across markets, or looking within their existing client bases—while enriching and expanding their products and services to meet broader investor needs.

More than six out of 10 alternative asset managers, family offices, private banks, and trust companies plan to expand up-market, with almost as many retail asset managers, broker-dealers, wealth advisors, moving in that direction. Even online brokerages and robo-advisors are setting their sights higher. Except for family offices, a many of these firms are also looking down-market to find business. For example, 36% of alternative asset managers and 17% of private banks are opening their doors to less wealthy investors.

No stone is being left unturned. About half of broker-dealers and alternative asset firms are planning to enter new geographies, with slightly fewer trust companies, private banks, and wealth advisors following suit. Most family offices aim to enrich their existing products and services, and 41% will add new ones. Trust companies will do the same, while changing distribution channels to boot. About a third of providers will expand in their current niche and maximize cross selling.

How firms plan to change their business strategies in next 2 years

Changes to strategy	All	Alternative	Broker-dealer	Family office	Institutional	Wealth advisor	Online/robo	Private bank	Retail asset	Trust
Expand up-market	51%	64%	47%	62%	43%	46%	30%	66%	52%	71%
Enrich existing products or services	42%	23%	36%	62%	35%	44%	39%	28%	49%	46%
Add new product or services	41%	41%	36%	42%	48%	43%	42%	48%	32%	40%
Enter new geographic markets	37%	50%	49%	34%	30%	41%	14%	40%	37%	43%
Expand in our current niche(s)	35%	14%	32%	32%	30%	37%	54%	19%	45%	20%
Maximize cross-selling opportunities	34%	45%	27%	34%	35%	38%	42%	31%	32%	20%
Make acquisitions/divestitures	29%	41%	41%	18%	35%	32%	11%	38%	23%	31%
Expand down-market	23%	36%	27%	0%	35%	25%	33%	17%	21%	17%
Simplify products and services	20%	45%	27%	14%	30%	14%	23%	22%	21%	9%
Change distribution channels	20%	14%	14%	22%	22%	23%	9%	24%	18%	34%
Partner with ecosystems players	19%	18%	27%	22%	17%	18%	14%	26%	16%	9%

PQ29. What are the key ways that your firm plans to change its business strategy over the next two years?

Four key shifts are remaking wealth management products and services

Advances in technology have allowed firms to democratize their wealth management advice, reaching new clients who demand the convenience of digital solutions.

Four out of 10 firms are democratizing their advice, products, services, and asset classes. To meet the growing digital demands, 40% are also automating their financial planning and developing hybrid human-digital advice solutions. Advisors are also focusing on getting to know their clients and developing stronger relationships to offer holistic advice (40%).

The democratization of wealth management is happening faster in APAC, fueled by the region's acceptance of digitization and its emerging middle class, which wants the same as the rich. In North America, the pandemic catalyzed digitization, pushing the region ahead in automating financial planning (44%) and hybrid human-digital advice (44%).

Shifts reinventing products and services

Democratization
- Democratization of wealth management advice (42%)
- Democratization of products, services, and asset classes (41%)

Digitization
- Ability to automate financial planning (40%)
- Development of hybrid human-digital advice solutions (40%)

Holistic advice
- Rise of holistic advice (40%)
- Non-traditional sources of wealth management advice (25%)

Transparent pricing
- New, more transparent pricing structures (33%)
- Shift to passive and programmatic investing (32%)

How these trends are playing out across regions

Trend	APAC	Europe	North America	All
Democratized wealth management advice	**48%**	40%	39%	42%
Democratized products, services, asset classes	**46%**	40%	37%	41%
Ability to automate financial planning	35%	40%	**44%**	40%
Development of hybrid human-digital advice	42%	33%	**44%**	40%
Rise of holistic advice	**42%**	35%	**42%**	40%
New, more transparent pricing structures	23%	**37%**	**37%**	33%
Shift to passive & programmatic investing	**35%**	32%	30%	32%
Rise of "augmented" advisors	**35%**	26%	29%	30%
Non-traditional sources of advice	**28%**	23%	24%	25%
Shift to best interest & fiduciary standards	15%	16%	**20%**	17%
Rise of crypto currencies	11%	7%	12%	10%

PQ9. What do you consider to be the most important changes affecting wealth management products and services?

What experts say



Holistic advice redefines relationships

Gauthier Vincent
Principal, Deloitte Consulting LLP

"Holistic wealth advice is becoming ubiquitous and moving to the center of the relationship between financial firms and customers. It's no longer just investments, banking, lending, or insurance. Advice is the glue that is bringing everything together."



Democratization, digital, and demystification

Henning Stein
Global Head of Thought Leadership
Invesco Asset Management

"The shift to digital wealth represents our brightest hope for truly democratizing investing. As an industry, we should be aiming to help as many people as possible understand how to get the most from their money. Crucially, that means digitization and democratization must go hand in hand with demystification."



A new generation of investors

Yoni Assia
CEO, eToro

"We are seeing the largest discussion in human history on the value of money. Bitcoin is at the center of that discussion as investors question the value of the pound, the dollar, and the Euro. During 2020, we also saw a shift in the mindset led by marginal commissions and free stock trading. Suddenly, an entire generation realized that with new technologies and mobile apps, they can open an account with $50 or $200, and start trading fractional shares in their favorite stocks."



Seven million retail clients jump into the market

Andrew D'Anna
Head of Retail Experience, Charles Schwab

"We are now at an inflection point. Last year, seven million retail investors entered the market. During the pandemic, people had more spare time to think about investments, together with a fear of missing out as friends and family made substantial money in the market. At the same time, long-term trends drove down investment minimums and prices. And fractional shares meant that you no longer needed to be wealthy to get a broader range of products and advice."

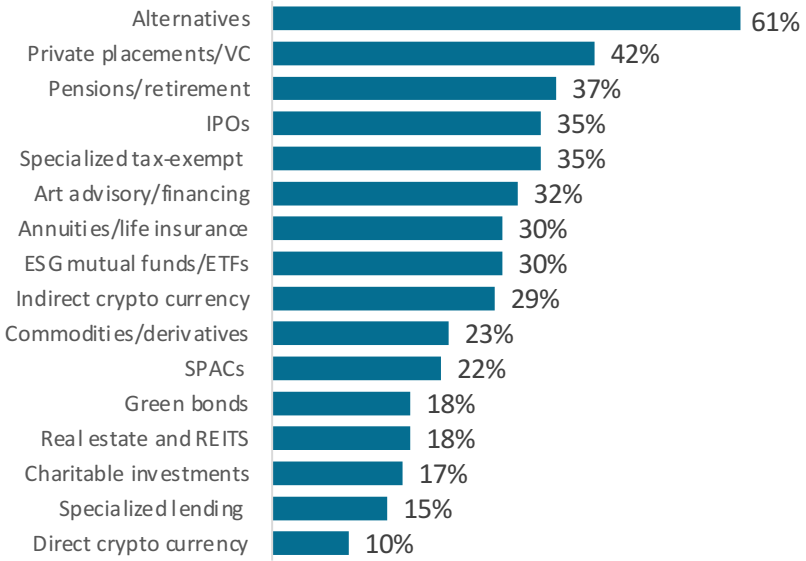
Providers will offer a wider range of products and services to meet investor demands

Wealth firms are scrambling to accommodate investor demands for access to more specialized products and services.

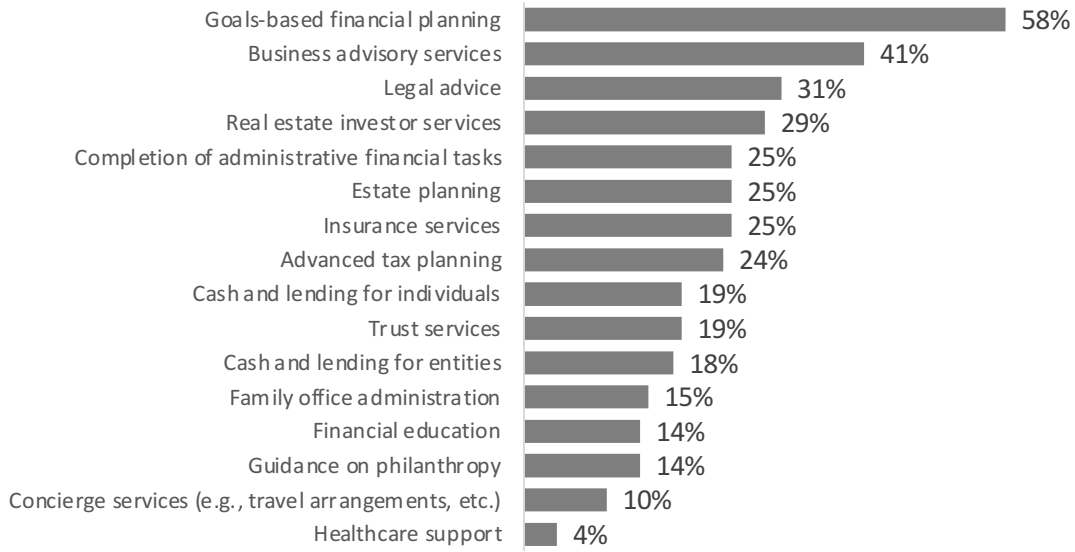
Almost two-thirds of providers plan to offer alternatives over the next two years—a top requirement for investors—and around four out of 10 will also offer private placements or venture capital opportunities packaged to reach a wider range of clients. Offerings are generally in line with what clients want, but in a few areas, providers could do better. For instance, almost half of investors plan to use commodities or derivatives, while less than a quarter of providers plan to offer them. A similar proportion of investors expect to invest in annuities, while less than a third of firms plan to offer these investment vehicles.

On the services side, more than half of all firms plan to offer goals-based planning over the next two years and, as a result, they will also add more ancillary services like business advisory, legal advice, real estate services, completion of financial administrative tasks like bill-paying, estate planning, and tax planning. This is largely in line with the services investors are most using now, with some exceptions. Almost half of investors are looking for advice on non-investment financial services like insurance and banking, while only about a quarter of firms will offer insurance services and fewer will offer lending.

% providers planning to offer products in 2 years



% providers planning to offer services in 2 years



PQ22. Which of the following investment products will your firm be starting to offer or continue to offer in two years?
IQ27. Which of the following wealth management products and services will you start to use or use more over the next two years?

Providers get the fees right in some areas—but very wrong in others

The way providers charge clients doesn't always match up with client preferences.

While most investors prefer to pay for financial planning with either a fixed or hourly fee, 44% of providers expect to charge them on a performance basis or as a percentage of AUM over the next two years. For non-discretionary investment, investors also prefer hourly or fixed fees, but more than a third of providers plan to charge a percentage of AUM over the next two years. In other areas, such as custody, transaction services, and discretionary wealth management, providers are more in tune with investor preferences and are planning to offer the fee structures they generally prefer.

CUSTODY SERVICES	Investors prefer	Providers 2 years
Fixed fee	**24%**	**44%**
Per hour of support	16%	12%
Performance-based	16%	14%
Included with overall fee	10%	9%
Percentage of AUM	6%	2%

FINANCIAL PLANNING	Investors prefer	Providers 2 years
Fixed fee	**26%**	7%
Per hour of support	**25%**	5%
Subscription	12%	11%
Performance-based	10%	**44%**
Percentage of AUM	9%	**18%**

TRANSACTION SERVICES	Investors prefer	Providers 2 years
Transaction-based	**39%**	**60%**
Fixed fee	15%	6%
Performance-based	11%	10%
Per hour of support	8%	7%
Percentage of AUM	6%	3%

DISCRETIONARY WEALTH MANAGEMENT	Investors prefer	Providers 2 years
Percentage of AUM	**34%**	**48%**
Fixed fee	24%	12%
Per hour of support	18%	10%
Performance-based	10%	16%
Combination of structures	2%	3%

NON-DISCRETIONARY INVESTMENT	Investors prefer	Providers 2 years
Per hour of support	**28%**	21%
Fixed fee	**25%**	12%
Performance-based	11%	13%
Percentage of AUM	11%	**35%**
Subscription	7%	4%

PQ27. Generally speaking, how does your firm currently charge clients for the following services? How do you expect to charge clients in two years?
IQ29. How do you currently pay your investment provider, broker, or advisor for the following services, and how would you prefer to pay?

Investors are willing to switch for the fee structures they want

Providers would be wise to reconsider their fees in some areas—or risk losing their clients.

The mismatch between provider fee structures and what investors want is particularly large for financial planning and non-discretionary investment. While only 7% of providers expect to offer fixed fees for financial planning in two years and only 5% plan to offer an hourly rate option, around a fifth to a quarter of investors would switch providers to have those fee options.

For non-discretionary investment, investors also prefer hourly or fixed fees, but while a fifth of providers expect to offer hourly fees in two years, more than a third plan to go with percentage of AUM. Only 12% of providers plan to offer a fixed fee structure in two years—yet almost a third of investors would switch providers to get that option.

Similarly, although about a quarter of investors prefer—and would switch for—a fixed fee for discretionary management, only 12% of providers plan to offer that structure.

Although in other areas, fee structures are more on-target, providers should carefully consider whether they can offer more flexible options for investors to ensure their retention.

% investors willing to switch fee structures

Service	Fee structure	% planning to offer	% that would switch for
Transaction services	Transaction-based	60%	35%
Non-discretionary investment	Fixed fee	12%	30%
Discretionary management	Percentage of AUM	48%	29%
Financial planning	Fixed fee	7%	26%
Discretionary management	Fixed fee	12%	25%
Custody services	Fixed fee	44%	24%
Non-discretionary investment	Per hour of support	21%	22%
Discretionary management	Per hour of support	10%	19%
Financial planning	Per hour of support	5%	19%



PQ27. Generally speaking, how does your firm currently charge clients for the following services? How do you expect to charge clients in two years?
IQ29. How do you currently pay your investment provider, broker, or advisor for the following services, and how would you prefer to pay? Which, if any, fee structures would you switch providers to obtain?

To offset pricing pressures, firms diversified revenue sources during the pandemic

Wealth management firms were already diversifying their sources of revenue. Then the pandemic hit.

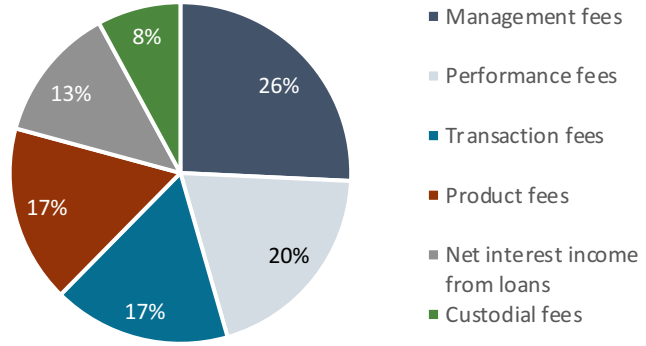
As we enter the next wave of the pandemic, management fees remain the top fee source for firms, followed by performance and transactions fees. It's not a surprise that investment management is the largest revenue-producing business, followed by advisory services. Banking, custody, and insurance remain modest income sources for most wealth management firms.

Private banks are the most diversified, deriving revenue from a more balanced offering of investment management, advisory services, and banking businesses. Alternative, institutional and retail asset managers are more heavily weighted toward investment management. Broker-dealers, wealth advisory, family offices, and online brokerages/robo-advisors are more evenly split between investment and advisory services, reflecting their move toward a hybrid human/machine business model. Trust companies lean more toward the advisory side as wealthy customers look to them to structure the right vehicles for preserving capital and passing it on to the next generation.

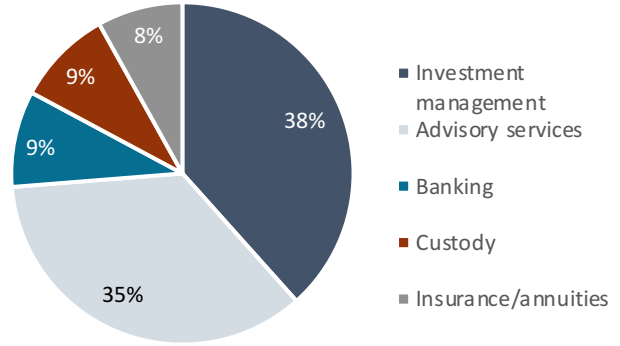
% deriving revenue from business types

Business type	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online/ robo	Private bank	Retail	Trust company
Investment mgt	**48%**	37%	42%	**48%**	32%	41%	28%	**48%**	34%
Advisory services	27%	36%	**45%**	29%	35%	40%	20%	34%	**48%**
Banking	0%	6%	2%	0%	15%	5%	**29%**	1%	4%
Custody	**16%**	12%	7%	11%	8%	8%	12%	10%	7%
Insurance	9%	9%	5%	**12%**	10%	6%	11%	7%	6%

% deriving revenue from fee types



% deriving revenue from businesses



PQ26. From which of the following businesses and fee types does your firm derive revenue today across all your wealth management products and services?

Firms will continue to diversify their revenue channels and fees over next two years

To boost revenue over the next two years, firms plan to widen both their range of services and their fees.

About three-quarters of providers will sharpen their focus on investment management over the next two years, and over half will do the same with advisory services. Banking/lending, however, is a major new area of focus for many types of firms, particularly family offices, trust companies, and broker dealers. Insurance is another area of growth, particularly for broker dealers, wealth advisors, and institutional managers.

On the fee side, management fees will continue to be a prime focus for most firms. In addition, most providers, particularly alternative asset managers, trust companies, private banks, and wealth advisors, expect big jumps in net interest income from lending.

Alternatives anticipate a greater focus on performance fees, which make up a large part of their income from profit participation. However, broker-dealers, institutional asset managers, and private banks all expect to increase performance fees as well. Alternative and institutional asset managers particularly expect to focus more on transaction fees.

% expecting increase in focus on business in next 2 years

Business type	All	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online /Robo	Private bank	Retail	Trust
Investment management	74%	73%	64%	80%	83%	81%	56%	72%	75%	86%
Advisory services	55%	73%	66%	48%	57%	50%	60%	49%	58%	49%
Banking	54%	0%	53%	75%	0%	47%	50%	68%	20%	57%
Insurance/annuities	53%	46%	67%	27%	57%	61%	32%	47%	54%	50%
Custodial services	32%	44%	31%	31%	25%	28%	31%	40%	33%	31%

% expecting increase in focus on fee types in next 2 years

Fee type	All	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online /Robo	Private bank	Retail	Trust
Management fees	54%	77%	61%	54%	57%	47%	42%	60%	62%	43%
Net interest income	54%	79%	48%	45%	52%	55%	47%	66%	45%	70%
Performance fees	48%	68%	54%	48%	52%	45%	44%	53%	51%	29%
Product fees	45%	27%	34%	52%	61%	46%	60%	38%	40%	54%
Per transaction fees	42%	68%	36%	40%	78%	38%	44%	41%	38%	43%
Custodial fees	31%	15%	21%	42%	13%	42%	44%	33%	21%	23%

PQ26b. How do you expect your firm's focus on each of these categories to change over the next two years?



Winning in a digital-first world

"Wealth firms must understand that digital transformation is an ongoing process that may take years to complete. There are two main risks along that journey. The first is delaying investment or not investing enough. The second is investing heavily for two or three years and then getting tired and thinking you are done after the initial wave."

Gauthier Vincent
Principal, Deloitte Consulting LLP

Wealth firms are motoring ahead in digital transformation…

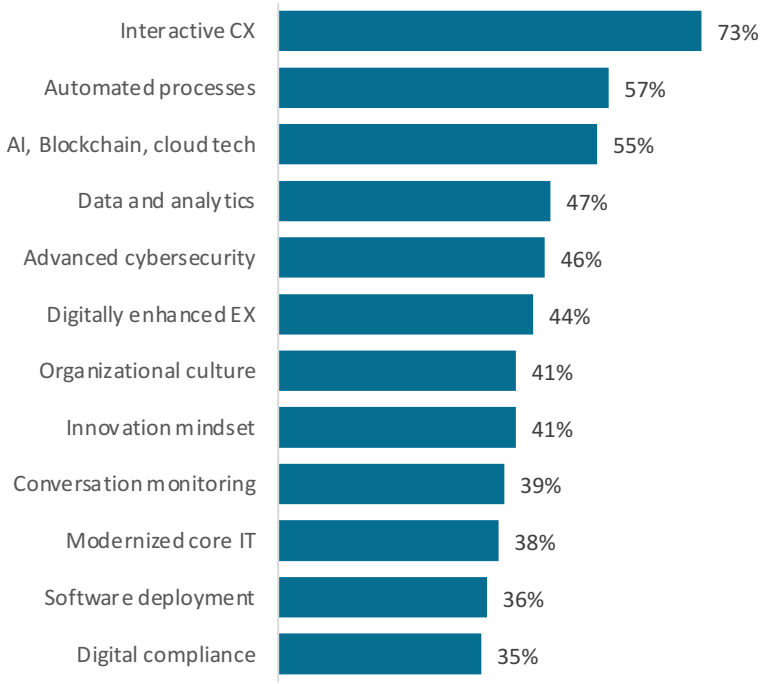
Wealth firms are making fast progress in digital transformation, with an average of 46% of firms in mid or advanced stages of digital development.

Almost three-quarters of firms are ahead in interactive CX, and over half in automated processes, AI, blockchain, and cloud. Firms also have made major strides in other digital areas, including data analytics, cybersecurity, and digitized employee experiences. About four out of 10 providers have made clear progress on building an innovation mindset and socially aware organizational culture. But they are dragging their heels on conversation monitoring, modernize core IT, software deployment, and digital compliance.

"We tell clients that all their technology building blocks need to be powered by data. You can't create a personalized experience, or power a platform, or include an AI component unless you have the data, and it's under control."

Melissa Cullen
Global Head of Strategy,
Wealth and Retirement, FIS

% of firms in mid-implementation or advanced stages in areas of digital development





Watch here



Watch here

PQ13. What stage of development is your company at in the following areas of digital transformation now?

…but not all industry segments are keeping up the pace

Private banks, retail asset managers, and broker-dealers are speeding ahead, while alternative asset managers and family offices are falling behind.

Private banks, both within and outside larger banking groups, have done the most to reengineer their businesses digitally. They have made more progress than any of their peers in important digital initiatives, from interactive customer and employee experiences to cybersecurity, conversation monitoring, software deployment, and digital compliance. Retail asset managers and broker-dealers have also made considerable advances, with the former most ahead in the use of ABC technologies and modernized core IT, and the latter in data analytics. Family offices have gained the least ground; they are behind the average in every element of digital transformation. Alternative asset managers are not doing much better. Surprisingly, online brokerages and robo-advisors are falling behind in some important areas of digital transformation, such as digital compliance, software deployment, and conversation monitoring. But some of this could reflect the stronger digital standards they set for themselves.

% of firms in mid-implementation or advanced stages in areas of digital development

Transformation areas	Private bank	Retail	Broker-dealer	Advisor	Institutional	Trust co.	Online/robo	Alternative	Family office
Interactive CX	90%	70%	78%	71%	78%	86%	67%	82%	54%
Automated processes	71%	55%	68%	62%	87%	43%	54%	59%	20%
AI, Blockchain, cloud tech	59%	67%	56%	57%	30%	63%	54%	18%	44%
Data and analytics	47%	49%	59%	51%	22%	49%	58%	14%	32%
Advanced cybersecurity	60%	44%	53%	50%	57%	37%	46%	55%	16%
Digitally enhanced EX	60%	51%	49%	46%	43%	43%	37%	32%	22%
Innovation mindset	69%	45%	46%	38%	43%	37%	35%	27%	20%
Organizational culture	55%	40%	39%	45%	39%	40%	39%	27%	32%
Conversation monitoring	50%	47%	37%	41%	43%	34%	32%	36%	24%
Modernized core IT	50%	56%	39%	38%	35%	34%	30%	23%	20%
Software deployment	50%	38%	42%	38%	48%	40%	26%	41%	10%
Digital compliance	52%	45%	41%	36%	22%	23%	21%	32%	22%
Average	**59%**	**51%**	51%	48%	46%	44%	**42%**	**37%**	**26%**

PQ13. What stage of development is your company at in the following areas of digital transformation now?

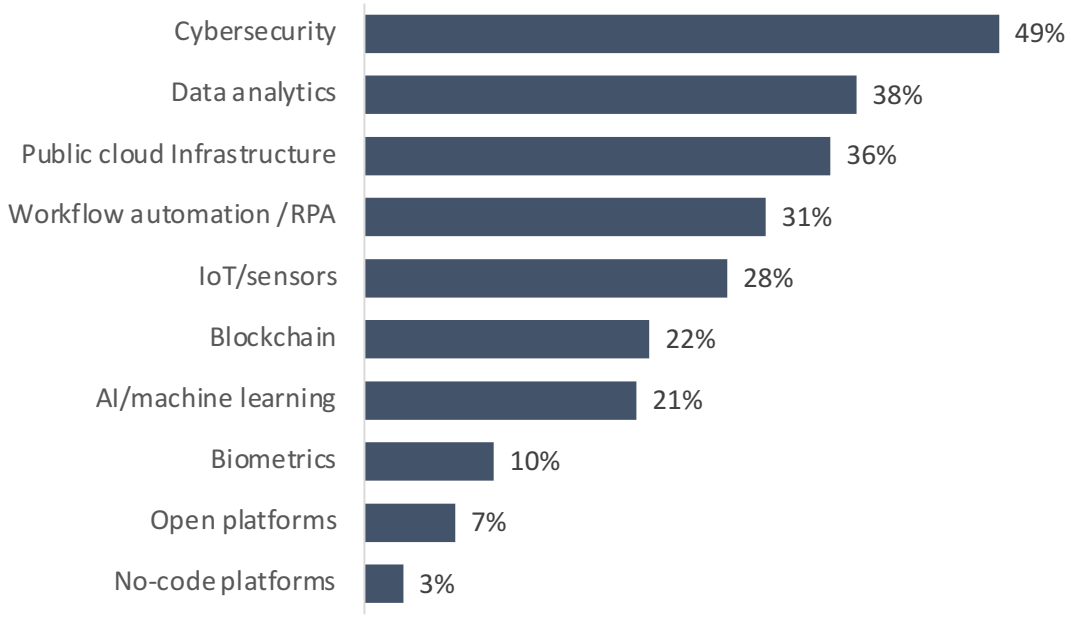
As cyberattacks rose during the pandemic, firms invested heavily in data security

About half of wealth management providers made their largest digital investments in cybersecurity over the last two years as cyberattacks skyrocketed.

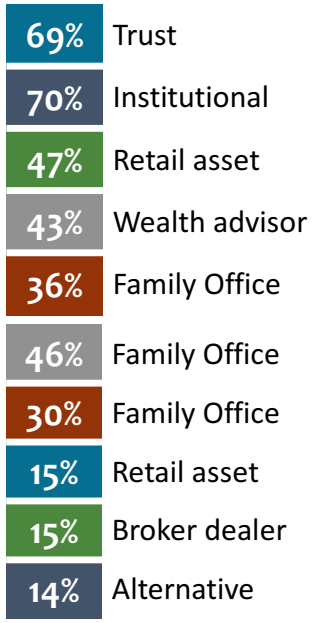
At a US congressional hearing in May, CEOs of six Wall Street financial institutions were asked to name the most worrying threats to their organizations. Cybersecurity was the common response. Later, in a televised interview, Fed Chairman Jerome Powell said that "the risk that we keep our eyes on the most now is cybersecurity."

To offset these risks, wealth and asset management firms, particularly trust companies and institutional and alternative asset managers, made significant increases in cybersecurity during the pandemic. They also invested heavily in data analytics, public cloud, and workflow automation, as they moved toward a more secure, digital future.

Largest investments in the last two years



Sector that invested most



"Lots of COOs and CISOs of financial institutions have suffered cyberattacks. For now, there has been no big scandal as many of these have been kept under the radar. But they are ramping up their investments to truly protect their organization from future attacks."

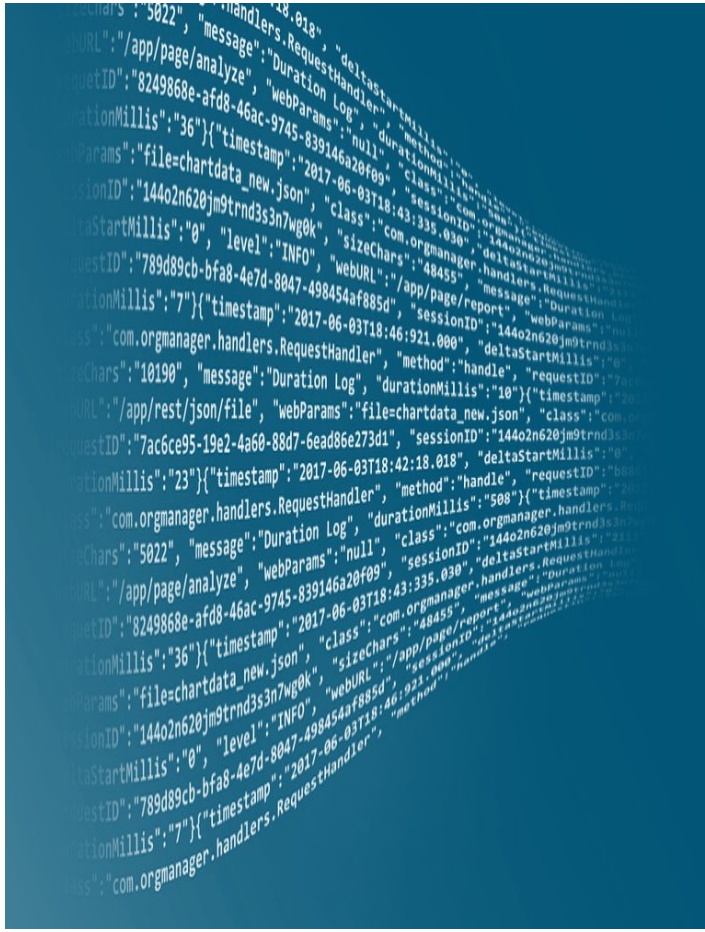
Jean-François Lagassé
Global Wealth Management Leader, Financial Services Industry Leader, Deloitte Switzerland

PQ15. In which next-generation technologies have you made significant investments over the last two years, in which are you planning to make significant investments over the next two years, and which investments are having the largest positive impact now?

Providers are boosting their IT spend to speed digital transformation

Firms across sectors plan to raise their total IT spending over the next two years as they make substantial investments in advanced digital technology.

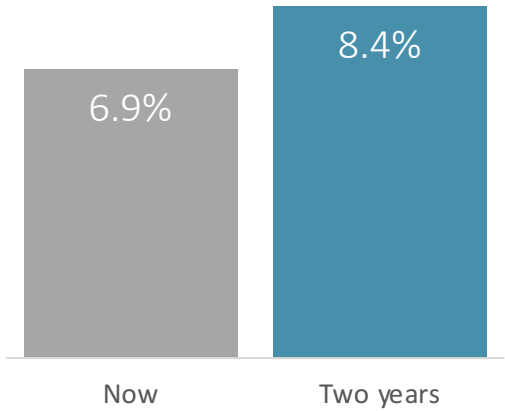
Companies will continue to invest in core technologies, but investment will plateau or even drop in areas like cybersecurity, where spending has been high in the past. The biggest increase will be in AI, which will grow 11 percentage points—about a 52% jump—over past levels. AI stands out as one of the technologies with the most positive impact, according to our survey. Firms will double their spend on open platforms, although from a low base. No-code/low-code platforms, while seldom used now, will grow considerably. But they will remain a relatively underused technology, despite their ability to allow staff outside of IT to drive software development.



Where firms will increase their investments over the next two years

Technology	Last 2 years	Next 2 years	Diff.
AI/machine learning/NLP	21%	32%	**11%**
Open platforms/API architecture	7%	15%	**8%**
No-code/low-code platforms	3%	8%	**5%**
Workflow automation/RPA	31%	34%	3%
IoT/sensors	28%	31%	3%
Data analytics	38%	40%	2%
Biometrics	10%	10%	0%
Blockchain	22%	21%	-1%
Public cloud infrastructure	36%	33%	-3%
Cybersecurity	49%	38%	-11%

Total IT spending as % of revenue



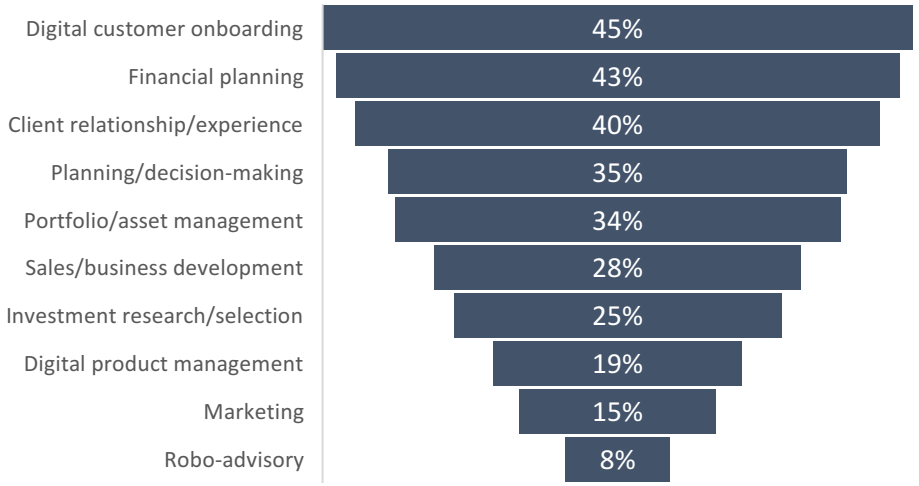
PQ15. In which next-generation technologies have you made significant investments over the last two years, in which are you planning to make significant investments over the next two years, and which investments are having the largest positive impact now?
PQ30. What percentage of your company's current revenue is invested in all technology, and what percentage of your future revenue do you expect your company to invest in two years?

Firms are investing heavily in digitizing the front office, especially for onboarding

When the pandemic started, wealth management providers were worried that they would lose contact with their customers. So, they increased their investment in digital customer journeys and other front-office areas.

Even before the pandemic, opening a new account was painful for many clients. During the pandemic, it became impossible to do this in person. As a result, digital onboarding has become table stakes for wealth management firms. Digital support for financial planning is another big area of investment, as well as client relationship management and experience—crucial for firms as their client engagement becomes more digital. That is why leader firms are investing even more heavily in these areas. Firms are also ratcheting up their investments in strategic planning and portfolio management. Self-service functions, such as marketing and channel engagement and robo-advisory, are getting the lowest investments, although this varies by subsector. Retail asset managers are spending more on onboarding, trust companies on financial planning; alternatives on CRM, CX, strategic planning and decision-making; and broker-dealers on portfolio management. Other than robo-advisory firms themselves, universal banks will be investing the most in robo-advisory solutions, followed by asset management firms and investment banks.

% citing as front-office area of biggest tech investment



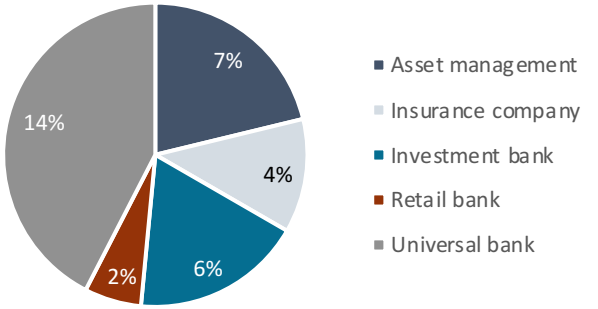
Sector investing the most

Retail	58%
Trust	74%
Alternative	50%
Alternative	59%
Broker-dealer	42%
Institutional	43%
Family office	32%
Institutional, trust	26%
Private bank	19%
Online/robo	44%

% citing as area of biggest tech investment, by maturity

Leaders	Others	Leaders	Others	Leaders	Others
47%	45%	54%	40%	51%	37%
Digital customer onboarding		Financial planning		CMR/CX	

% citing robo-advisory as area of biggest tech investment



PQ16. In which front-office areas has your firm made or is planning to make the biggest technology investments?

Despite their focus on digital onboarding, firms are still not doing enough

The top pain points for investors in opening a new account are providing authorizations and transferring funds from outside accounts, but currently only about one in five providers have digitized these processes—and less than a third plan to do so within two years.

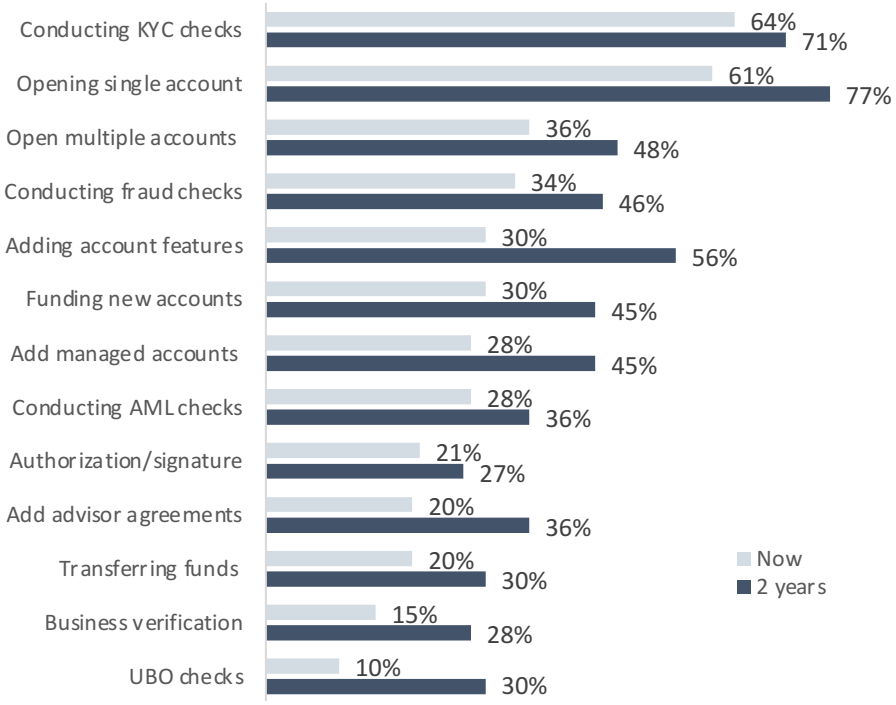
So far, providers have chiefly addressed their own top pain point—digitizing regulatory know-your-customer (KYC) checks—as well as digitizing basic procedures for opening an account online. Only 36% can open multiple accounts online simultaneously, and even fewer can digitally conduct fraud checks, add account features, and fund new accounts. Firms have seldom digitized conducting business verification and ultimate beneficial owner (UBO) checks.

Providers will ramp up their efforts to digitize onboarding over the next two years in some areas, particularly adding account features, conducting UBO checks, and adding managed account proposals. But of those, only adding features to accounts is currently a major pain point for investors. Wealth management firms should consider turning their attention instead to those areas most important to clients.

Top 10 onboarding hurdles for investors	% citing
Providing authorizations	34%
Transferring funds from outside accounts	33%
Confirming investment preferences	32%
Providing documents & evidence	30%
Adding features to accounts	30%
Adding beneficiaries & account holders	29%
Providing signatures	28%
Filling out forms & providing information	24%
Depositing & withdrawing funds	23%
Getting approval or activation status updates	22%

PQ18. Which parts of the client onboarding process are currently digitized at your firm? Which do you expect to be digitized in the next two years?

% digitizing process now and in 2 years





Watch here

Robos lead in digital onboarding now, but incumbents will jump ahead in two years

Currently, robo-advisors, investment advisory groups and retail asset management firms are the furthest ahead in digital onboarding , but institutional asset management firms and private banks plan to supplant them over the next two years.

With a born-digital advantage, robo-advisors and online brokerages are now the furthest ahead in digital onboarding. They are most advanced in risk and compliance measures, such as conducting KYC, AML, and fraud checks. Investment advisory groups are also now out front in digital onboarding, leading the pack in funding new accounts. Likewise, retail asset management firms are ahead of most, particularly in adding managed account proposals.

But digital onboarding is a common work in progress. In two years, institutional asset managers and private banks plan to move aggressively and overtake robo-advisors and retail asset managers. Institutional asset managers already lead in key onboarding areas, such as conducting AML and UBO checks, while private banks are currently the most ahead in investor authorization. Investment advisory firms will maintain their place in the winner's circle, and family offices and wealth advisors will join the group.

Ahead in digital onboarding*	Now	2 years	Onboarding areas they lead in now
Online brokerage/robo-advisor	31.8%	44.1%	Conducting KYC checks 77%, fraud checks 51%, AML checks 35%
Investment/wealth advisory group	31.6%	44.5%	Funding new accounts 38%
Retail asset management	31.5%	43.2%	Adding managed account proposals 34%
Institutional asset management	31.2%	**50.2%**	Conducting AML checks 35%, UBO checks 26%, opening multiple accounts 57%
Trust company	30.5%	43.1%	Adding advisor agreements 31%, conducting business verifications 34%
Broker-dealer/wire-house	29.5%	42.2%	Adding account features 37%
Private bank	29.4%	**45.7%**	Investor authorization 31%
Family/multifamily office	28.5%	44.5%	Opening single account 72%
Alternative asset management	27.2%	40.5%	Conducting UBO checks 26%, transferring held-away portfolio holdings 32%

*Average percentage of digitized onboarding elements

PQ18. Which parts of the client onboarding process are currently digitized at your firm? Which do you expect to be digitized in the next two years?

Many investors are not satisfied with their digital experiences

Only 18% of investors are very satisfied with the digital experience offered by their primary providers. Given the importance of digital experience to investors, providers will want to address the gaps in their offerings.

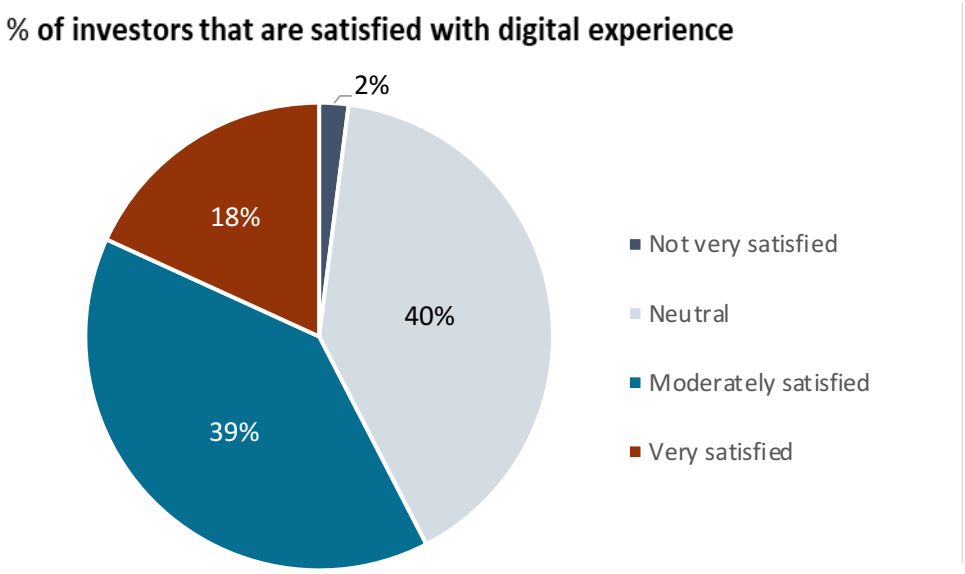
The biggest complaint among investors is the inability to see all investments in one place, cited by 44% of all those who said they were not very satisfied and nearly six out of 10 HNW investors who said the same. A related concern, raised by 25% of all investors and 40% of UHNW investors who said they were not very satisfied, is that primary providers do not cooperate with others. Other pain points for investors relate to the availability of user-friendly, fully functional, mobile and tablet apps and websites.

What investors think their providers should do differently

"Enhance their digital services for better experience and ease."
UK, HNW baby boomer

"Always update technology actively to provide an effective user experience for me."
Japan, HNW, Gen Xer

"Offer one-stop investment service to provide a comprehensive experience."
China, HNW baby boomer



Why investors are dissatisfied	% all	Highest %
Cannot see all my investments in one place	44%	HNW (59%)
Primary provider does not cooperate with others	25%	UHNW (40%)
Mobile app not offered or not easy to use	25%	UHNW (27%)
Website access not offered or not easy to use	24%	UHNW (40%)
Tablet app lacks functionality	24%	Mass, HNW, VHNW (25%)
Website lacks functionality	20%	Mass (33%)
Tablet app not offered or not easy to use	20%	HNW (25%)
Mobile app lacks functionality	18%	VHNW (50%)
Provider does not offer web conferencing	15%	Mass (42%)

IQ25. How satisfied are you with the digital experience offered by your primary investment provider? IQ25a. What are the main reasons that you are not fully satisfied with the digital experience offered by your primary wealth management provider?

Leaders invest more heavily in digitizing middle and back office

Leader firms invest in the oft-neglected middle and back office more than others, showing best practice for all firms.

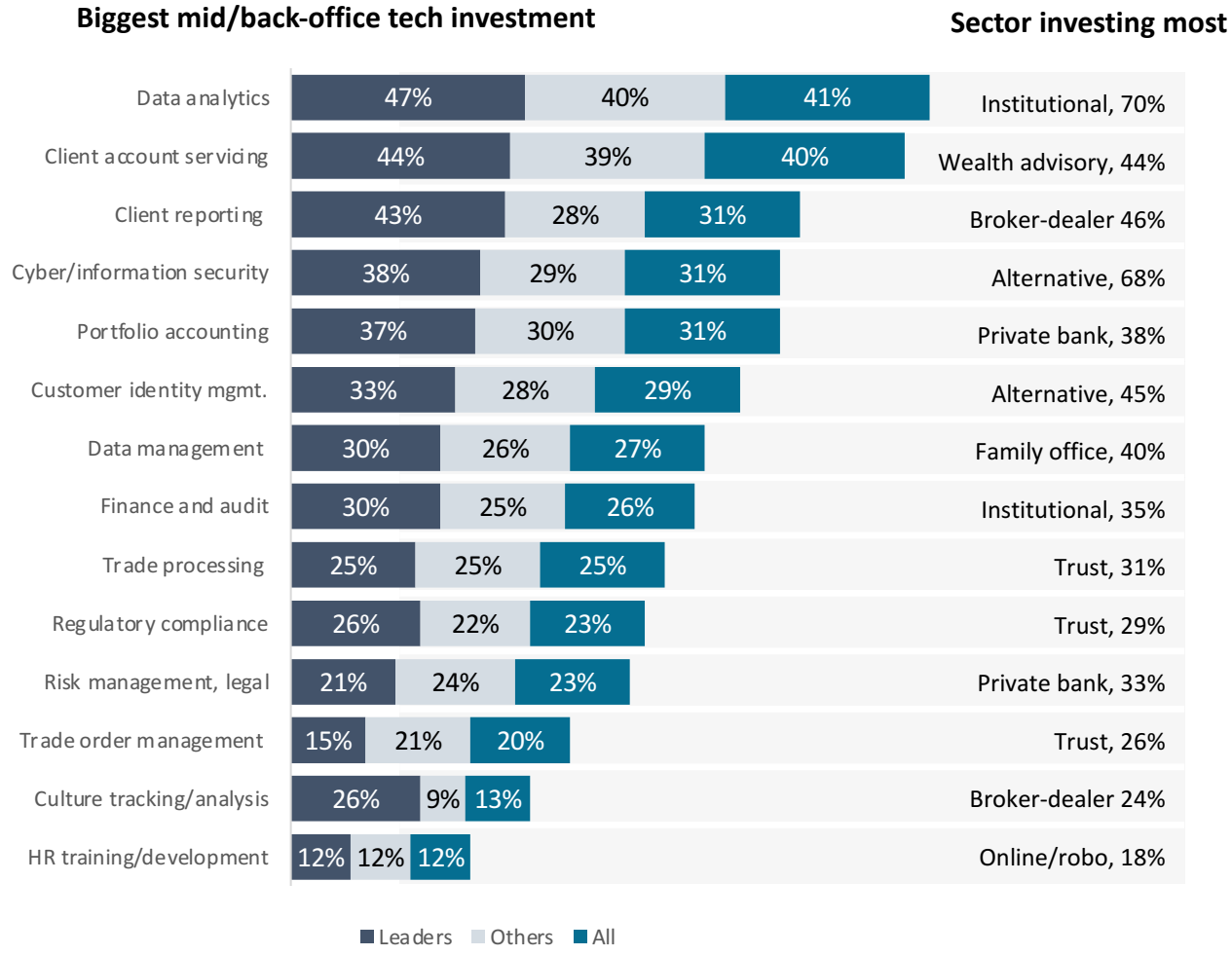
Almost half of providers invest in data analytics, and more than four out of 10 in digitizing client account servicing and reporting. Almost as many invest in cybersecurity and portfolio accounting and custody.

Leaders are spending almost three times as much as others in tracking and analyzing corporate culture to ensure that it is delivering on strategic goals. That can be vital for organizations in the long run if they want to drive social awareness, sustainability, and innovation.

Priorities vary by sector. Institutional asset managers, which deal with exacting professional clients, are much more apt to spend heavily on improving data analytics—an area in which they lag.

Alternative asset managers are putting money into cybersecurity at more than double the average rate, spurred by the hugely increased attacks during the pandemic. Others should follow suit, especially family offices, which are trailing far behind.

> "When the pandemic hit, firms were worried about losing their customers. So, there was a lot of investment in customer journeys and digitalizing the front office. Now we are getting over the initial shock, and firms are moving back to investing in back-office improvements."
>
> **Nina Kerkez, Director of Consulting, LexisNexis® Risk Solutions**



PQ17. In which middle and back-office areas has your firm made or is planning to make the biggest technology investments?

Over the next two years, firms will reinvent how they get work done

Work for advisors and other staff will become more digitized—and, as a result, digital engagement will become more important than personal interaction for a third of firms.

Remote working and web conferencing have made distance less relevant: clients can pick advisors based on their skills or specialties rather than on location. More than a third of firms expect that over the next two years, advisors will continue to work from home or in hybrid arrangements.

While automation will cut the number of jobs for about one in five firms, a reduction in mundane tasks will help workers become more productive. Firms will also pay more attention to organizational culture as they strive to become more purpose led. That is particularly true for institutional asset managers, alternatives, and family offices, which had a single-minded profit orientation in the past. To support the future of work, firms will upgrade their digital infrastructure, consolidate service, delivery and data centers, and reassess their need for offices.

Leaders provide a glimpse into the future of work. For example, about four out of 10 believe they will meet with clients online more than half of the time, and that digital engagement will become more important than personal interaction.

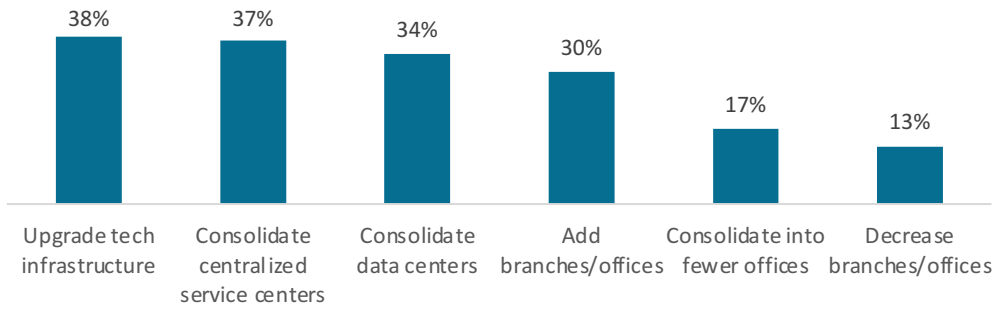
Biggest changes in work over the next two years

Statement	All
Advisors continue to work from home or in hybrid arrangements	36%
AI will help advisors target sales opportunities & more personalized service	34%
Digital engagement will be more important than personal interaction	34%
Measurement of organizational culture will become more important	33%
Advisor-client geographic proximity will be less important	32%
Web conferencing with clients more than half of the time	31%
Job satisfaction will increase as mundane tasks become automated	30%
Operational staff will continue to work from home or in hybrid arrangements	29%
Being purpose-led will be important for retaining employees/clients	28%

Biggest changes in work for leaders over the next two years

Change in work	Beginner	Implementer	Leader
Web conferencing with clients more than half of the time	30%	28%	41%
Digital engagement more important than personal interaction	29%	35%	40%
Measurement of organizational will become more important	29%	33%	38%
Job satisfaction to increase as mundane tasks are automated	31%	28%	34%

Biggest impacts on infrastructure over the next two years



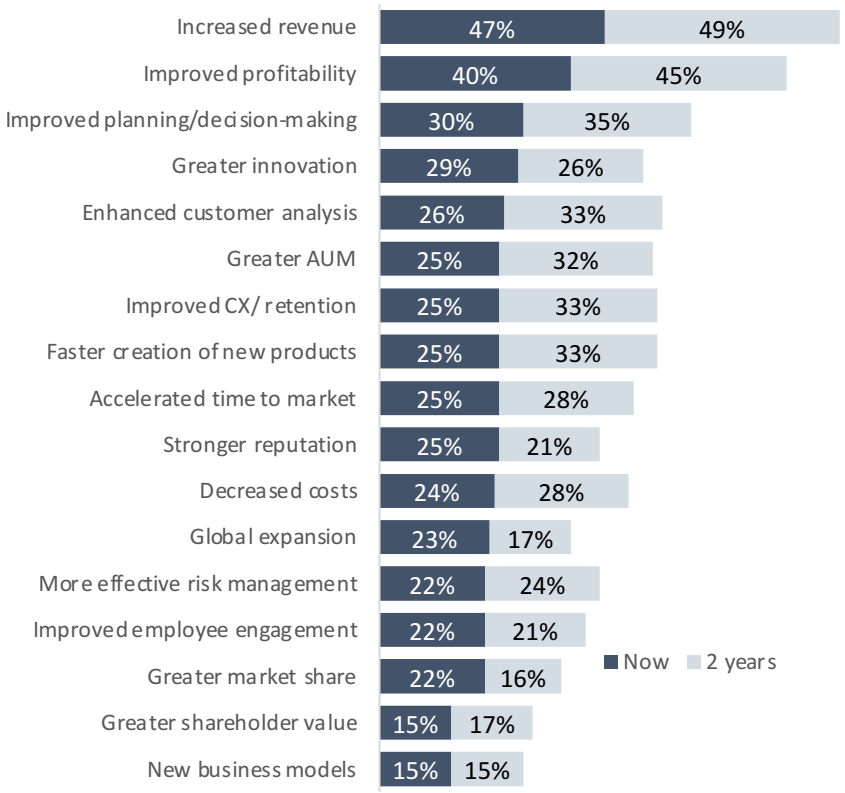
PQ10. Over the next two years, which statements about the future of work in the wealth management industry do you believe are true?

The financial, operational, and strategic benefits from going digital

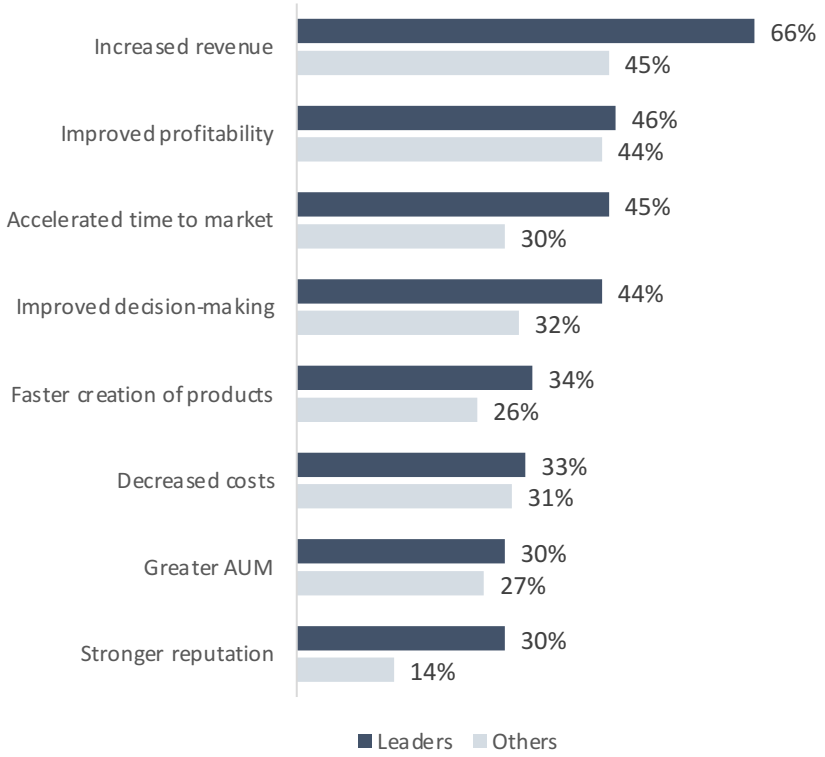
Almost half of all firms are seeing increased revenue from digital transformation now, and over the next two years, almost as many expect improved profitability.

Operational and strategic benefits are also increasing, particularly improved planning and decision-making, greater innovation, enhanced customer analysis and retention, and faster creation of new products. Leaders overall are seeing greater benefits than others now and expect even more over the next two years, particularly increased revenue. They anticipate other financial benefits, including higher profitability, decreased costs and greater AUM, as well as other business benefits, such as accelerated time to market, improved planning, faster creation of new products, and stronger reputation.

% citing as top-five benefit now and in 2 years



% citing as top-five benefit in 2 years, by maturity



"The pandemic made digital the only mechanism for advisors and their clients to engage. As we go back to a new normal world post-vaccination, we expect that the engagement model will continue to be a hybrid of in-person and digital engagement as both clients and advisors saw significant value at limited to no degradation of service. In fact, it provided an opportunity to share much richer insights."

Manish Moorjani
Senior Director Product Management
Publicis Sapient

PQ31. What are the main benefits that your firm is seeing from its digital investments now and what are the main benefits your firm expects over the next two years?

Digital transformation supercharges performance across multiple KPIs

Firms have seen a nearly 14% increase in productivity as a result of digital transformation—which has contributed to an 8.1% rise in assets under management.

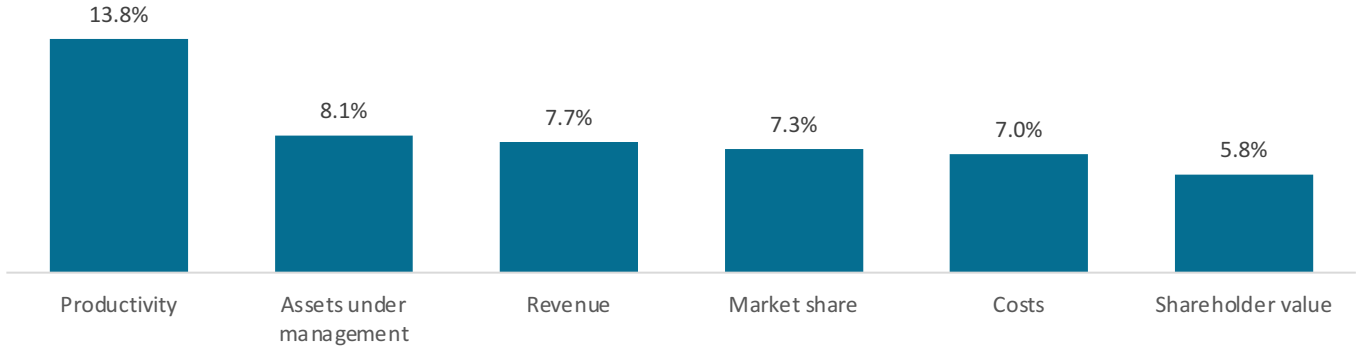
Digitization has also lifted revenue, market share, and shareholder value, although it has also increased costs as firms beef up their digital investments.

Productivity is the KPI that has jumped most across industry segments, but institutional managers have also seen a big climb in AUM resulting from their digitization efforts.

Alternative asset managers, which have been playing digital catch-up, report outsized gains in all KPIs except shareholder value. However, they, as well as institutional managers, private banks, and retail asset managers, have also seen higher than average cost increases as they gear up.

> "Since the pandemic, we are seeing most of our client projects focusing on productivity, effectiveness, and efficiency. The more you can support and augment the workflow with technology, the better it is."
>
> **Hanspeter Wolf, CEO & Founder, Appway**

Average % increase in KPIs as a result of digital transformation



Average % increase in KPIs as a result of digital transformation, by sector

KPI	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online/ robo	Private bank	Retail	Trust company
Productivity	12.3%	13.6%	16.1%	14.5%	13.7%	12.0%	15.3%	13.3%	12.8%
AUM	10.4%	6.6%	7.9%	12.0%	8.6%	7.0%	8.6%	8.4%	5.6%
Revenue	8.9%	7.7%	6.3%	8.2%	8.1%	6.4%	8.4%	8.6%	6.3%
Market share	10.8%	6.2%	7.0%	7.1%	7.0%	6.2%	9.6%	7.8%	5.6%
Costs	11.0%	5.9%	3.4%	9.6%	5.5%	4.4%	11.7%	8.5%	2.3%
Shareholder value	5.8%	5.5%	6.8%	6.2%	4.8%	6.2%	6.4%	6.4%	5.3%

PQ32. Approximately how much of an increase have you seen in the following performance indicators as a result of your firm's digital transformation?

Shift toward holistic financial planning is paying off for wealth providers

Financial planning is the area getting the highest return on digital investment for wealth management firms, showing that their strategic move toward offering a wider, goals-based approach is yielding dividends.

Investments in finance and auditing, client reporting, and portfolio accounting are also generating a high return for providers. However, they are getting the lowest ROI on projects in trade processing and settlement, along with digital product management, trade order management, and organizational culture tracking. Investments in client account servicing is showing mixed results—a bit under a quarter are getting high ROI, close to a third are getting a low ROI, and about 9% are getting a negative ROI.

Leaders show the realm of the possible. Over six out of 10 are getting high ROI from their digital investments in risk management, while half or more are generating high returns from financial planning, customer identity management, portfolio accounting, and robo-advisory.

Top 12 areas where firms are getting a high ROI



Top 12 areas of high ROI for leaders

Area	Beginner	Implementer	Leader
Risk management, legal	11.1%	16.4%	61.9%
Financial planning	14.8%	35.5%	56.4%
Customer identity management	12.8%	26.0%	55.9%
Portfolio accounting	22.0%	25.9%	50.0%
Robo-advisory	29.4%	16.7%	50.0%
Finance and audit	19.0%	32.9%	38.7%
Data management and transformation	22.8%	16.0%	38.7%
Cyber/information security	18.5%	18.9%	38.5%
Digital product management	9.4%	13.7%	38.5%
Data analytics	11.4%	29.4%	37.5%
Client account servicing	18.4%	19.8%	35.6%
HR and training	3.8%	34.8%	33.3%

PQ33. For those areas where your firm has made significant investments, how would you rate the ROI (on a scale against each other) that your firm has made on those investment areas?

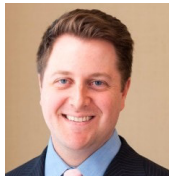
Calls to action



"In wealth management, the human touch will always be there, because wealth and money have an emotional attachment, and that comes with other people. Technology can augment that attachment, helping advisors be more efficient with their time with clients while allowing them to continue to create deep emotional bonds. But shopping for a portfolio will never be like flipping through Netflix suggestions to find a movie to watch, where you never talk to anybody. I don't see the human advisor going away anytime soon."

Cory Haberkorn
Industry-Go-To-Market Senior Manager, Salesforce

Calls to action



1. Move to a platform model

Justin White
Principal, Deloitte Consulting LLP

"It makes sense for firms to adopt a platform model. If you can look across an individual's balance sheet, income, and cash flow, you can provide better advice. The firm can also capture more of the revenue pie if it can provide things beyond just investment advice. It's a better answer for the client and better economics for the provider."



2. Build your business as an ecosystem

Hanspeter Wolf
CEO, Appway

"The future of digital business will be composing a value chain based on a variety of different services and data providers. Firms will need to essentially create their own platforms out of these parts—it's a process they will need to master, and we believe there's no way around it."



3. Adapt or die

Yoni Assia
CEO, eToro

"By 2030, we are going to see a lot of hundred-billion-dollar fintechs, some of which will manage over a trillion of dollars. Some of them will end up taking over traditional financial institutions. To survive, traditional firms will need to adapt to become essentially very large fintechs—and the best of them will succeed."



4. Move from product- to client-centric

April Rudin
CEO, The Rudin Group

"Wealth management firms need to become more client-centric instead of product-centric. For the most part, they're still pushing off-the-shelf products that are rigid and not nuanced enough. They need to realize that every client is different, and they all don't get the same brochure and the same portfolio. It's crucial to treat everyone who comes in the door as a person, rather than as a demographic."

Calls to action



5. Put frictionless experiences in your clients' pockets

David Donovan
Financial Services Practice Leader, Publicis Sapient

"Clients will want to access investment advisors or on their mobile. People think about finance when they're traveling, buying a house, or shopping. The more a financial platform can be connected to a client in a personalized way around moments that matter, the better the result for advisors and their clients. In essence, investors want their wealth managers to be personal CFOs that sit in their pockets."



6. Get your data in order

Sabrina Bailey
Head of Wealth Management, Refinitiv

"Over the next five years, as we go more digital, the quality of data is going to be critical to all the analytics firms run and to making personalization possible. That quality is lacking for many—particularly some advisory firms and startups in the industry. The most important advice I would give to wealth management firms is ensure that your data is sound for all your client needs."



7. Focus on the 4 Ps: Personalization, platforms, power of data, and processing at scale

Melissa Cullen
Global Head of Strategy, FIS

"Success in this market is now all about delivering on a new version of the four Ps—personalization, platforms, power of data, and processing at scale. Regardless of how they assemble that mix, the firms that are agile in applying the four Ps will be the ones able to gather and grow assets under management. They will be resilient and able to reinvent themselves as technology changes, keeping the customer experience at the forefront."



8. Create no-trade-off client experiences

Andrew D'Anna
Head of Retail Experience, Charles Schwab

"In the future, the winners will be those firms that create no-trade-off client experiences between high-touch and high-tech engagement. Clients want to control their own portfolios and make their own choices. But as they mature as investors and their needs change, they will want trusted human advice to help them through life events or market volatility. Firms that can do that in one place will be the ones that grow and scale in the future."

Calls to action



9. Leverage human capital

Brie Williams
Vice President, State Street Global Advisors

"Wealth management companies need to be thinking about whether they are the disruptors or disrupted. For industry leaders, core competencies will be business savviness, combined with the ability to build trust and leverage the technology to deliver a highly relevant experience at scale, for your clients. Beyond that, how firms truly leverage human capital will show the real opportunities for growth."



10. Do more with less

Rohit Mahna
SVP, GM of Financial Services, Salesforce

"Over time, the number of financial advisors is going to shrink, while the expectations of clients—and their desire to be coached—will continue to grow. So, firms will need to figure out how to do more with less. That is where AI-driven hyper-personalization can assist. But to create the kind of advisor dashboard with the integrated tools required, firms will need to get their arms around their legacy systems and their data to make them work together."



11. Harness technology to make informed decisions

Pankaj Kulkarni
Global Head, BSFI Solutions, HCL Technologies

"The wealth management industry is at an inflection point, where it must reinvent itself both in terms of the depth of offerings and the breadth of the customer base. Innovative products, including services from multiple providers and hyper-personalized solutions powered by analytics hold the key to competitiveness. These transformations can be achieved by deploying AI and machine learning to automate advisory and portfolio functions, and by offering enhanced digital customer journeys."



12. Integrate data through the cloud

Nina Kerkez
Director, Consulting, LexisNexis® Risk Solutions

"Databases in finance are typically siloed, and the traditional financial services industry really struggles to bring those together. If your data about your customers isn't good or complete, it's very difficult to use predictive analytics to get the insights that everybody wants. To bring these advanced technologies and data together, you need to be fully in the cloud."

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Chiara Gelmini	Senior Wealth Management Industry Marketing Manager	Appway	Zurich, Switzerland
Gauthier Vincent	Principal	Deloitte Consulting LLP	New York, NY
Steve Corman	Manager	Deloitte Consulting LLP	Cleveland, OH
Jean-François Lagassé	Global Wealth Management Leader, Financial Services Industry Leader	Deloitte Switzerland	Geneva, Switzerland
Luke Adams	Senior Consultant	Deloitte Consulting LLP	Los Angeles, CA
Yoni Assia	Founder and CEO	eToro	Tel Aviv, Israel
Amy Butler	Global Head of Public Relations and Communications	eToro	London, UK
Nicola Robson	Marketing Director	FIS	Jacksonville, FL
Melissa Cullen	Global Head of Strategy, Wealth and Retirement	FIS	Chicago, IL
Rakesh Sarin	Vice President Financial Services	HCL Technologies	Zurich, Switzerland
Tanmoy Bhattacharjee	Associate Vice President, Financial Services Global Solutions	HCL Technologies	London, UK
Simon Booth	Marketing Manager	LexisNexis® Risk Solutions	London, UK
Alan Clay	Head of Strategy, Customer Data Solutions UK & Ireland	LexisNexis® Risk Solutions	London, UK
Mark Little	Head of Identity Strategy, UK & Ireland	LexisNexis® Risk Solutions	London, UK
David Donovan	Financial Services Practice Leader, North America	Publicis Sapient	Marblehead, MA
Manish Moorjani	Senior Director Product Management	Publicis Sapient	Irvine, CA
Charles Smith	Global Head of Digital Solutions, Wealth Management	Refinitiv	New York, NY
Christopher Sparke	Global Head of Advisory Solutions, Wealth Management	Refinitiv	New York, NY
Sabrina Bailey	Global Head of Wealth Solutions	Refinitiv	Chicago, IL
Cory Haberkorn	Industry-Go-To-Market Senior Manager	Salesforce.com	St Louis, MO
Hana Shackleton	Marketing Manager	TCC Group & Recordsure	London, UK
Joe Norburn	CEO	TCC Group & Recordsure	London, UK

Advisory board

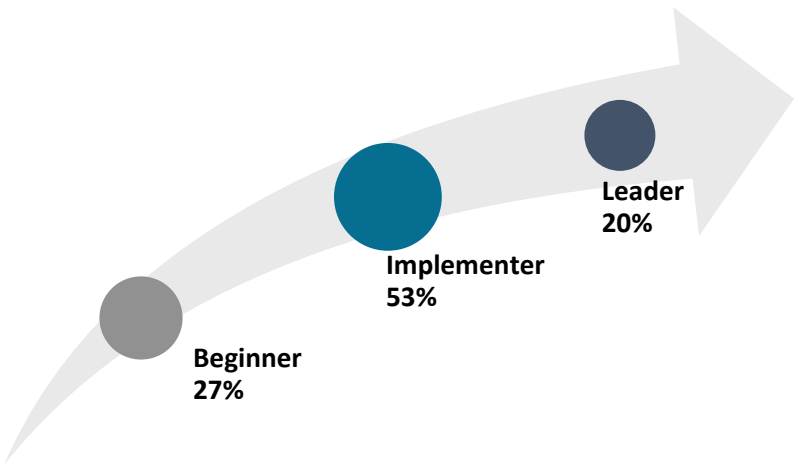
Name	Title	Company	Location
Advisors			
Suzanne Cook	Founder and CEO	Ainstein AI	Cambridge, MA
Mike Fullalove	Consultant	Fintech OS	London, UK
Nathan Erickson	Principal	CAPTRUST	Phoenix, AZ
Andrew D'Anna	Head of Retail Experience	Charles Schwab	San Francisco, CA
Ernie Cockrell	Founder and CEO	Cockrell Interests	Houston, TX
Amit Pau	Co-founder	Empaua Ventures	London, UK
Bill Sullivan	President	Family Office Exchange	Chicago, IL
Henning Stein	Global Head of Thought Leadership	Invesco	Zurich, Switzerland
Michael Schrage	Research Fellow and Author	MIT Sloan School of Management	Cambridge, MA
Melvyn Klein	Founder and CEO	MNK Interests	Corpus Christi, TX
Dean Butler	Head of Digital Strategy	M&G Plc	London, UK
Vinod Raman	Vice President and Director, Product and Operating Unit	Stash	New York, NY
Brie Williams	Vice President, Head of Practice Management	State Street Global Advisors	Boston, MA
April Rudin	Founder and CEO	The Rudin Group	Fort Lee, NJ
Cary Rubinstein	Managing Director, Marketing	MUFG Union Bank	Los Angeles, CA
David Wilson	SVP, Senior Director, Group Strategy and Transformation	United Overseas Bank Limited	Singapore
Associations			
Aaron Filbeck	Director of Global Content Development	CAIA Association	Amherst, MA/Philadelphia, PA
Kieran Fox	Director of Business Development	Irish Funds	Dublin, Ireland
Giulia Lupato	Head of Regulatory Policy and Compliance	PIMFA	London, UK
Philip Allen	Head of Learning and Development	PIMFA	London, UK
Michael Cahill	Senior Policy Advisor	PIMFA	London, UK

Appendix: Maturity methodology

A prime objective of this research was to determine what constitutes digital leadership in the wealth and asset management industry.

To answer this question, ThoughtLab assessed firms using two key criteria: progress made on digital transformation across 12 business dimensions and ROI on digital investments in 24 business areas.

Our economists then categorized the organizations into a bell curve of three maturity stages. More than half of the surveyed companies were implementers (53%); the rest were beginners (27%) or leaders (20%).



Our digital maturity framework

We based the three maturity categories on responses to two questions.

Q13 *At what stage of development is your company in the following areas of digital transformation now?*

We asked respondents to rate their progress on 12 business areas against a 5-point scale:

0 Not considering; (**1) Planning stage**—developing plans and business case; (**2) Early implementation stage** (Piloting and starting to rollout plans; **(3) Mid-implementation stage**—digitizing key areas and seeing performance benefits; **(4) Advanced stage**—scaling across enterprise, with significant gains.

The question included 12 business areas:

- Automated processes
- Data management and analytics
- Interactive customer experience
- Advanced cybersecurity
- Digital compliance
- Digitally enhanced employee experience
- Innovation mindset
- Modernized core IT
- Software deployment
- Use of exponential technologies
- Conversation monitoring
- Organizational culture

Q33 *For those areas where your firm has made significant investments, how would you rate the ROI that your firm has made on those investment areas?*

We asked respondents to rate their ROI on significant technology investments in 24 key investment areas using a four-point scale (negative, low, average, high).

The investment areas included:

- Sales and business development
- Client relationship management
- Marketing and channel engagement
- Digital product management
- Financial planning
- Investment research and selection
- Portfolio management and rebalancing
- Trade order management and routing
- Trade processing and settlement
- Portfolio accounting and custody
- Client account servicing
- Client reporting
- Strategic planning and decision-making
- HR, training and development
- Finance and audit
- Cyber, information security
- Risk management, legal
- Regulatory compliance
- Data management and transformation

ThoughtLab

ThoughtLab is an innovative thought leadership and economic research firm providing fresh ideas and evidence-based analysis to help business and government leaders cope with transformative change. We specialize in analyzing the impact of technological, economic, and demographic shifts on industries, cities, and companies.

To learn more about ThoughtLab, visit: **www.thoughtlabgroup.com**

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