

7 KEY TAKEAWAYS FROM IN|VEST NYC 2019

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The Capco team had the pleasure of attending this year's In|Vest 2019 conference, the digital wealth management event of the year. Capco's North America wealth and asset management practice lead, Kapin Vora, had one of the prime-time slots on the first day to discuss **"The Future of Fees, Tech & The Hot M&A Market"** with David Cantor, EVP - Head of the Registered Investment Advisor Segment at Fidelity Clearing and Custody solutions.

Across two days of presentations and discussions, industry participants presented their viewpoints on the future of wealth management. In this blog, we've highlighted seven key themes discussed at the conference that are transforming and shaping the industry.

US RETIREMENT CRISIS

The US retirement crisis was a common theme referenced across many of the sessions. The crisis is a result of low savings and pension funding rates, low financial literacy levels, and an overall lack of engagement from the end investor.

The speakers outlined several levers for addressing the problem:

- 1.** Facilitate the onboarding and saving process. This means creating a frictionless user experience and using language directed towards laypeople to demystify the investment process. This includes seamless transitions between branches, desktops and mobile devices.
- 2.** Encourage saving through rewards. Society rewards consumption and visible signs of wealth in the 'Instagram generation.' Savings are invisible. How can the platform show the rewards of savings and benefits to increase engagement? Financial services companies are not good at capturing the emotional connection with the services they provide.
- 3.** Consider how to make investment vehicles portable to reflect generational changes as people change careers.
- 4.** Encourage people to take small steps and giving them a sense of control.

CLIENT EXPERIENCE IS 'TABLE STAKES'

Most, if not all, major players at the conference, spoke of how digital client experience (CX) enabled by agile delivery teams could be a differentiator. However, if everyone is focusing on CX and agile, is it a differentiator or is it just 'table stakes?' Perhaps it is execution

capability that is the true differentiator. While technology could be obsolete by the end of the journey, a big part of a successful transformation is managing change.

DIGITAL TRANSFORMATION OFFERS LESSONS YOU CAN LEARN FROM

The speakers shared their thoughts on the role of digital transformation and several key lessons learned were noted:

1. Understand the clients' exact needs and pain points and putting them at the center of the new platform is key to success.
2. Integration matters. It is very easy to overwhelm both the advisor and client when a platform is trying to be all things. It's less about features and functionality, but more about the journey clients want to take with the advisors. Advisors can help clients navigate seamlessly, but they shouldn't be simply showcasing all the great functionalities of a platform.
3. Adoption is key inhibitor to success. This is often neglected during an implementation stage. Focusing on training, marketing, communication, and tracking key performance indicators improves the likelihood of successful transformation.
4. People are both the enablers and the executioners for digital transformation. It is essential to clearly define the role of digital in the overall business strategy and to empower the digital team to deliver with agile ways of thinking.
5. Agile alone is not enough. It's easy to get fixated on what you're building and lose sight of who you're building for.
6. Wealth management is built on a foundation of relationships and trust. Clients are willing to share lots of information with advisors, but how can transformation efforts deliver client and planner experience at scale, and make the client feel special?

THE RIA MARKET IS HOT

The RIA market is so dynamic right now. David Canter, Head of RIA Segment at Fidelity, highlighted the point by showing that in the first half of 2019, the number of M&A transactions increased by 49 percent. The boost in numbers was driven by the strong

market, growing market size, and investment capital that is continuing to flow into the space. RIA growth is unlikely to subside anytime soon, especially with the arrival of RegBI and increasing number of strong competitors in the space.

MORE REGULATORY FOCUS FOR DATA AND PRIVACY

The California Consumer Privacy Act (CCPA) is the bellwether for increased emphasis on data privacy in the industry. SIFMA and FINRA are increasing engagement on the topic, and this is expected to continue. The conference highlighted several future predictions:

1. GDPR type regulation in the future is inevitable. The wealth management community must adapt and be responsive to the changes and global implications around evolving regulations.
2. The definition of privacy is expanding. This will drive fundamental change in the marketing industry.
3. Transparency and trust are key. Customers and investors need firms to be good stewards of collected data, beyond regulatory compliance. They expect full visibility and disclosure of how their data is stored, used, and shared.
4. Striking the right balance between data monetization and data protection is critical. Data is the new 'oil.' Firms that extract and harness data for economic value, while balancing privacy, tend to have the edge over competitors and the prospect for growth.

BUSINESS MODEL INNOVATION WILL CONTINUE

Michael Kitces's keynote speech highlighted the search for new business models. The current assets under management (AUM) model is 'not a bad model,' but it is not achievable by everyone, given the size of the market segment. Alternative models (fee for service) offer the opportunity to service clients who are not in

the 'target market segment' for an AUM model. Fee for services options includes hourly, subscription, retainer, income-based or a combination of net worth and income. We can expect to see a continued stream of change in this space.

BLURRING WEALTH AND ASSET MANAGEMENT VALUE CHAIN

The demand for frictionless and personalized advice in combination with technology is disrupting the industry value chain. Asset manager incumbents are currently rethinking what it means to be an asset manager and we are seeing the lines blurring from the traditional role definitions of asset and wealth managers.

Asset managers are leveraging their intellectual property (including technology) to move upstream in the value chain to provide transparency and value at the advice level. Looking forward, technology with the move to the cloud, real-time services, and fiduciary regulations will play a massive role in shaping the industry.

CONTACT US

If you have any questions about the key takeaways or would like to learn more about digital wealth management space and InlVest, please do not hesitate to reach out. We look forward to continuing the dialogue with you!



AUTHOR

Robert Norris, Managing Principal
robert.norris@capco.com

Lisa Lee, Consultant
lisa.lee@capco.com

ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the energy, commodities and financial services industries. Our professionals combine innovative thinking with unrivaled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in energy, commodities, banking, capital markets, wealth and asset management and insurance. We serve our clients from offices in leading market centers across the Americas, Europe, and Asia Pacific.

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