

# An Evening of Discussion on the Changing Landscape in Wealth Management

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Harold Pratt House | 58 E 68<sup>th</sup> Street | New York, NY 10065

Gartland & Mellina Group hosted their 3<sup>rd</sup> annual Evening of Discussion at the Harold Pratt House in New York, New York. The theme of this year's conversation was the Changing Landscape in Wealth Management, featuring:

- **Michael McVicker**  
Head of Management and Strategy for WMA Investment Platforms and Solutions at UBS
- **Greg Fleming**  
Former President of Morgan Stanley Wealth Management and soon-to-be CEO of Rockefeller Management
- **John Straus**  
CEO of FallLine Securities
- **Michael Armstrong**  
CEO of RBC Wealth Management and Solutions at UBS
- **Vikram Pandit**  
Chairman & CEO, The Orogen Group

Throughout the evening, the Panelists discussed some of the significant challenges and opportunities that face the Wealth Management industry today. With the top 40 Wealth Management firms in the United States collectively managing over 7 trillion dollars in assets for clients (representing a 19% asset increase year-over-year), coupled with buoyant stock markets, and greater levels of investment in technology, the Wealth Management business is well-positioned for high growth. However, according to the insights provided by the Panelists, the future success is dependent on several key factors:

***Understanding that Wealth Management is evolving to become more than an exclusive “invest-my-assets” business, and shifting to a “comprehensive wealth planning” one***

- Advancements in technology have established the necessary support for a Financial Advisor (FA) to have a broader relationship with their client(s), including offering new services such as asset management and investment banking
- Financial Advisors will need to leverage technology in their everyday client relationships to continue to both maintain and build a successful book of business into the future

Today, Wealth Management is, “advice beyond investing in trusts, estate and portfolio building,” stated McVicker. “It is used to create communities around philanthropy and autism. It is helping facilitate family meetings on talking to kids about passing down generational wealth and planning who the spouse speaks to when their other half passes away.”

Fleming is also recognizing the industry swing, and building out the capabilities of Rockefeller Management, to align with it. “[We are taking the] existing very high-end [Private] Wealth Management business and turning it into Rockefeller Global Family Office. We will have asset management capabilities..., add investment banking to provide strategic advice [to Clients] on businesses they own and businesses they want to sell, and provide wealth management [services] for the high net worth.”

The overall discussion was implicit in that Wealth Management firms will reap benefits if they provide the support needed to facilitate a broader relationship between their Financial Advisors and Clients. To deliver this enhanced client experience for clients in the best way, the panelists unanimously agreed that key technological investments would be integral to the success of future Wealth Management initiatives.

## ***Investing in technology to frame a Financial Advisor's relationship with their Client***

- Technology supporting efficient interactions between a Financial Advisor and their Clients will enable Wealth Management firms to successfully adapt to the industry's "vertical segmentation"
- Vertical segmentation includes the Millennials, who will want information delivered efficiently to a device rather than hosting the traditional face-to-face quarterly meeting with their Financial Advisor

"The adoption rate of technology by clients is accelerating. Clients are pushing firms to deliver more or better technology," noted Straus. At FallLine Securities, Straus and his team have been diligently working at improving technology by developing a turn key platform that gives independent Financial Advisors the capability to be "bionic." For instance, the platform can deliver real-time balance sheets daily to their end clients, a unique capability within the Private Wealth Management business. "Once an end-client has a taste of this, they are going to ask [other Private Wealth Management firms], 'well, can *you* deliver a real-time balance sheet to me?'"

Not only has the advancement of technology improved the client experience, but it has also improved work efficiency for Financial Advisors. "Work that used to take an Advisor to pull together in two to three days can now be done in half an hour," added Straus.

Technology supporting efficient interactions between a Financial Advisor and their Clients will enable Wealth Management firms to successfully adapt to the industry's "vertical segmentation," a term used by Armstrong. "Historically, segmentation has been by wealth. With better analytics and better technology, [we] will see hyper-segmentation. There will be the HINRY (High Income Not Rich Yet), Millennials, seniors, and women. Information will be so customized and it's just the beginning."

Fleming supported Armstrong in his statement. "While I believe [Millennials] will still want a human being in the relationship as Financial Advisors, particularly for complicated needs on the higher end clients, [Financial Advisors] are going to interact with clients in very different ways. They are not going to have the physical quarterly meeting; they are not going to have the meeting ever unless it's on FaceTime. They are going to want information delivered efficiently on a device." He ended, "the digital world we live in changes what Advisors can do and the efficiencies at which they do them for their clients."

### ***Understanding that technology is important, but isn't a value proposition in and of itself***

- Financial Advisors need to employ their technological capabilities to offer Clients solutions that they wouldn't have thought of on their own. This advice component is why individuals choose a Wealth Management firm over alternate investing companies and services.

Technology and digital capabilities are essential to serving High Net Worth (HNW) and Ultra High Net Worth (UHNW) clients today. However, technology alone isn't enough. Fleming described it well in saying, "if you don't offer digital capabilities that are in line with industry standard, you have a problem. That's the ante. It's a capability now, and you need to be doing something else."

Our panelists agreed that Financial Advisors need to know how to use that technology to provide a unique value add. Straus explained that, "a lot of FAs are doing business the same way they used to 20 years ago. Talking about stocks? It's just not that important. Talking about a money manager? It's just not that important. Saving a client 400 bps in tax because you gave them a good estate plan? That's important. That's where we can add real value."

Financial Advisors need to be using these technology platforms to be providing unique and material advice to their clients. Since technology enables Financial Advisors to spend much less time making reports, they can devote more time to analyzing the readily-available data to be better-informed Financial Advisors and more strategic consultants.

## ***Safeguarding against cybercrime vulnerabilities***

- Wealth Management firms are turning to technology, internal restructuring, and strategic planning to prepare for cybercrime risks.

All five panelists echoed the same concern regarding the question: “what happens if your firm gets hacked?” Straus noted, “you can be really careful audit, triple password-protect. You still have to surveil your business, and when you do it, it’s usually too late – the horse has already left the barn. Our dependence on technology is just so high, and it’s a real concern across the industry.”

These firms are safeguarding against cybercrime in a variety of ways. Armstrong mentioned machine learning and artificial intelligence technology as one solution, noting that RBC is working on “some proprietary [technology] with machine learning that is 99% accurate, which doesn’t make anyone feel that great,” he joked, “but is 1,700 times faster than current methods.” This technology is still being fleshed out and evolving at many firms across the industry, and there’s hope that as these methods are fine-tuned, they’ll offer significant added security.

Internal restructuring will also occur as an added risk management step. “Boards will likely conduct themselves differently,” Fleming explains. “These issues are currently handled by the Risk Committees, and [the industry] might be moving towards creating separate Cybercrime Committees.”

Similarly, these firms are all thinking about cyber-crime planning. At UBS, McVicker is beginning to engage in comprehensive cyber-crime planning – “internal cyber plans, cyber risk scenarios... figuring out how we’d isolate the incident and then build the business and technology back up.” Internal scenario design and operational risk planning is becoming industry best practice in preparing for data breaches.

### ***Adapting to the Financial Advisor of the future***

- FA teams are about to look very different – including many more women and millennials to help these firms better connect to and serve their clients.

The Wealth Management business is still 80% male – 20% female. But the Panelists all agreed: that's about to change.

For the baby boomer generation, when the male dies first, Wealth Managers are seeing a lot of business slip as the wife is dealing with a male FA for the first time. The money then goes to the millennial – and there's a slip all over again.

McVicker corroborated this, stating that UBS is actively thinking about building teams that look different than today's teams, including women and younger employees. As the industry is based on trust and connection with clients, this is fundamental to continued success in the Wealth Management business.