Re-inventing Advice for the Digital Age
The wealth management industry is at an inflection point; the ability to address changing customer behaviours, regulation and the impact of digital will drive success

**Industry realities**

- **Clients’ digital expectations and behaviours** evolving at a retail pace of change
- **Regulations** bearing down, impacting industry economics and increasing cost
  - Traditional sources of **revenue and margins under pressure**, particularly with demise of commission income and tax secrecy
- **Industry consolidation** and value chain evolution continues at pace

**New equilibrium**

- Capitalisers
- Laggards

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Re-inventing Advice for the Digital Age • Singapore
PwC 29 February 2016
The UK, an early indicator of global trends, show that traditional economics of every aspect of the value chain are under significant threat

Illustrative revenue trends across the wealth value chain

<table>
<thead>
<tr>
<th>Investment solutions</th>
<th>Administration/Asset Servicing</th>
<th>Customer Access/Distribution</th>
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</thead>
<tbody>
<tr>
<td>Asset allocation, portfolio construction, fulfilment</td>
<td>Platforms and wrapper manufacture</td>
<td>Digital and Face to Face Advice</td>
</tr>
</tbody>
</table>

Mainstream AM

**Commission Era** (Pre-RDR) 2012

- xx bps

**Transparency** (Post-commission ban) c.2018-2020

- xx bps
- xx bps
- Xx bps
- Xx bps

- Passives/ETFs
- Focus on AM pricing and value
- Loss of distribution power
- Consolidation of distribution

- Asset Allocation for end investors to create packaged portfolios

- xx bps
- xx bps
- Xx bps
- Xx bps

- Aligned to growth of ‘goal-based’ investing and retirement solutions

- Administration/Asset Servicing

- xx bps

- Consolidation of advisors and need for ‘utility’ platforms/admin., with digital value-added service enablement
- Sunset clause further impacting economics – industry consolidation inevitable
- Scale necessary but in itself not sufficient for success – digital operating models key

- Customer Access/Distribution

- Xx bps

- New advice-based business models and shift of buying power towards customer access
- Digital advice enables low-cost distribution

Source: PwC analysis based on interviews with 60 Board Members in the industry (UK focus) and consumer research on c.4000 consumers
Client expectations are changing fundamentally – creating significant pressure on advisors

Better remote/online accessibility
- 24/7, “always on”
- My choice of device
- Seamless/cross-channel interfaces
- Online interaction to substitute or complement face-to-face
- My definition of usability

Better advice
- Information overload, market volatility
- Sound, high-quality advice from experts (in-house and external) and peers
  - More frequent touch points
  - Access to specialists when I need them
  - Online communities
- More transparency on products, risks and pricing
- Third party opinions/crowd intelligence
  - Reputation and referrals
  - Comparison websites
  - Ability to switch or combine providers with ease

More tailored service, more fun

More transparency and wider opinions

Source: Strategy & analysis
Improve Client Relations - Establish the connection with women

The needs of women are **insufficiently addressed**, despite the increasing number of female wealth.

According to UBS/PwC 2015 Billionaires Report, "Billionaires: Master architects of great wealth and lasting legacies”.

### Needs of women are adequately addressed by the wealth industry

### Advisors have sufficient connection with women within the wealth family and eco systems

### Number of billionaires

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of female billionaires</td>
<td>6.6% &gt; 5.2%</td>
<td></td>
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</tbody>
</table>

Improve Client Relations - Establish the connection with children

FA/RMs have sufficient connection with children within the wealth family and eco systems

Client’s wealth asset retained upon their demise from their children

The needs of the children within the wealth family and eco systems are inadequately served leading to significant wealth outflow
Outflow from the account within 6 to 12 months

- Surviving Spouse: 50%
- Trusts / Foundations: 50%
- Children: 57%

Wealth Managers need to proactively address the associates of their clients to retain the significant portion of the clients wealth assets.

Improve Client Relations - Act immediately when wealth is transferred
Improve Client Relations - For UHNW cater to the specific needs and understand dynamics (link to Youtube video)

Digital Disruption - market in WM is broad and blurred but is focused on delivering against 3 primary customer needs

<table>
<thead>
<tr>
<th>Traditional solutions</th>
<th>New Models/Services</th>
<th>Fintech</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help me understand my financial needs</td>
<td>Help me choose the right product/service</td>
<td>Help me manage my investments</td>
</tr>
<tr>
<td>Financial planners</td>
<td>Financial advisors</td>
<td>Portfolio and fund managers</td>
</tr>
<tr>
<td>Goal planning tools</td>
<td>Simplified advice Guided sales</td>
<td>“Robo” – Discretionary management</td>
</tr>
<tr>
<td>Personal financial mgt.</td>
<td></td>
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</tr>
</tbody>
</table>

Fintech companies include:
- mint
- blueleaf
- Lifescale
- PERSONAL CAPITAL
- ADVICE GAMES
- FutureAdvisor
- NestWealth
- Trulity.com.au
- MOVO
- wealthminder
- nextcapital
- wealthfront
- NestEgg
- Betterment
- Wealth Wizards
- moneyfarm
- Wealth Horizon
- nutmeg
- Invisor
- Hedgeable
- moneyontoast
- Advice Games
## Digital Disruption - Established players have spotted the threat and are moving rapidly to incorporate robo-advice into their propositions

### DIY

- **Hargreaves Lansdown**
  - Hargreaves Lansdown launched Portfolio+, online discretionary services and exploring robo-advice

- **Aviva**
  - Aviva to launch direct to customer proposition for General Investment account and ISA

- **Investec**
  - Investec Click & Invest is a new simplified advice-based online investment management service for customers with £10,000 or more to invest, and is due to launch in late 2015.

- **Charles Schwab**
  - Charles Schwab launches Intelligent Portfolios

- **Vanguard**
  - Vanguard piloting Personal Advisor Service – digital & face to face

### Partner

- **Aegon**
  - Aegon launches Retiready direct to customer platform

- **Santander**
  - Santander in direct to customer push after advice re-entry

- **DBS**
  - DBS applies IBM Watson to its wealth management business to improve the advice and customer experience

- **Fidelity**
  - Following up on its partnership with robo-advisor Betterment Institutional, Fidelity Institutional Wealth Services announced a collaboration with LearnVest

- **Barclays**
  - Barclays agrees direct to customer deal with FNZ

- **BlackRock**
  - Blackrock acquires FutureAdvisor

- **LV to launch an online advice service Cora aimed at people with small pots

### Buy

- **Aberdeen**
  - Aberdeen acquires Parmenion, including its automated simplified advice tool, partners with Hymans Robertson to target pensions opportunity through ‘Guided Outcomes’

- **Schroders**
  - Schroders acquires an 11.9% stake in Nutmeg Saving and Investment Ltd, a UK online investment manager

- **LV to launch an online advice service Cora aimed at people with small pots

Source: PwC analysis, public announcements
New entrants are clearly influencing the agenda, many banks are planning Robo-Advisor like capabilities.

Services planned to be provided online in 2 years

- **35%** Financial goal advice planning
- **45%** Portfolio simulation tools
- **45%** Financial planning simulation tools
- **45%** Proactive alerts in relation to market events
Delivering good client outcomes will require a fully connected and collaborative client interaction model

**Now:** Simple traditional client-advisor interaction

**Next step:** More connected client relationship with advisor and investment strategist (some digital)

**Future state:** Fully connected and collaborative model (fully digital)

Increasing client insight, technology, people, process and knowledge enabled change
Given external drivers and legacy issues, this evolution will occur in waves - technology alone will not realise the opportunity.
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