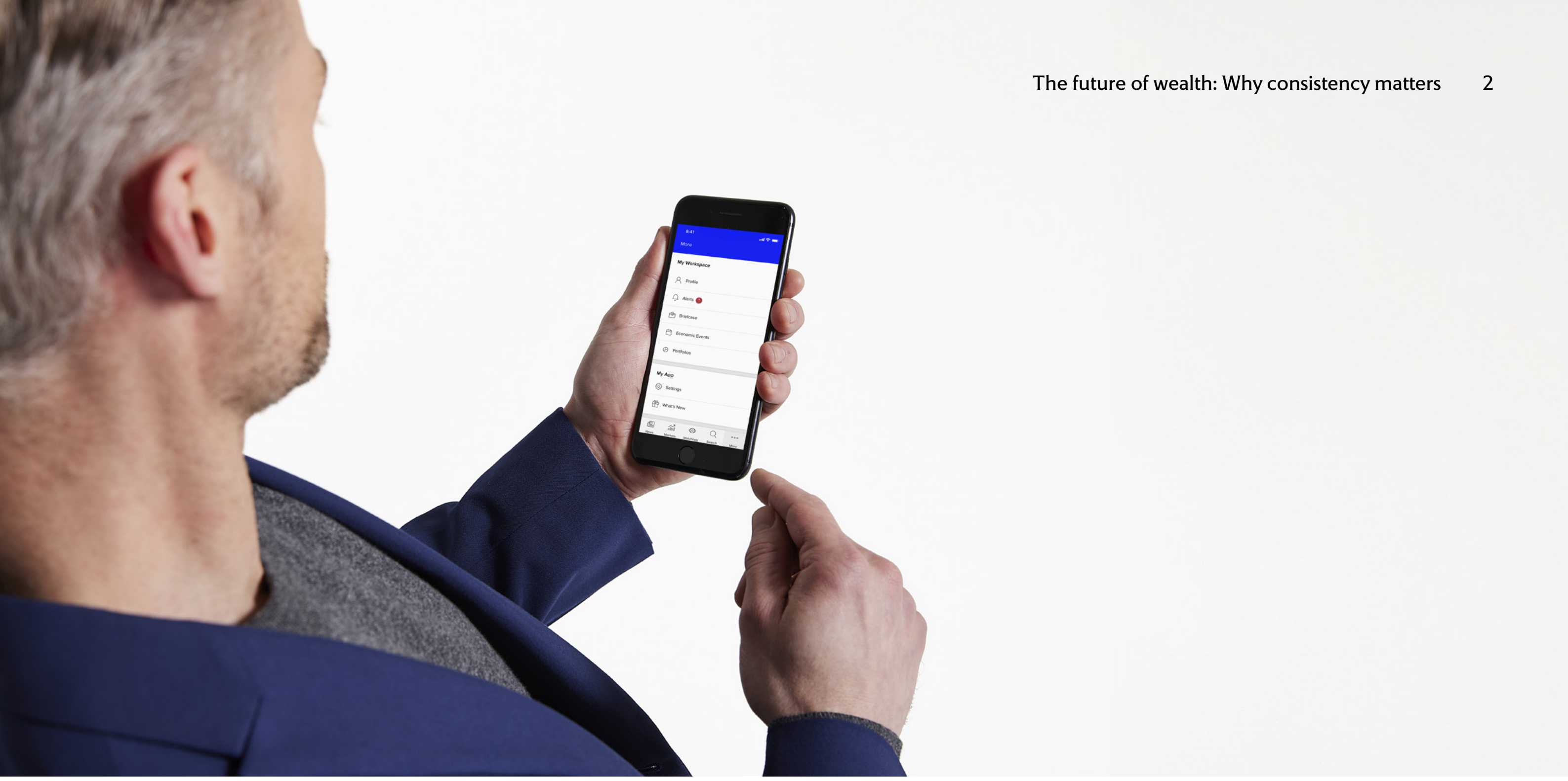
The future of wealth: Why consistency matters

Against an evolving wealth backdrop, more and more investors desire consistency from their providers. Consistency builds trust and delivers a host of benefits for all wealth industry stakeholders. Consistency matters.

LSEG DATA & ANALYTICS



Introduction

In the evolving and highly dynamic world of wealth management, consistency has become highly desirable. Against a backdrop of market volatility and complexity, investors increasingly seek a level of consistency from their providers – consistency that extends across the provision of personalised advice, trusted data and value-added insights, to the delivery of advanced technological capabilities, and more.

Consistency builds trust, which in turn benefits all stakeholders, from investors to advisors and providers.

To gauge and unpack the changing preferences and emerging trends within the wealth industry, LSEG co-sponsored extensive research - gathering insights on trends that are likely to define the future role of financial advice, attitudes towards and adoption of AI in investment, and much more.

Conducted by ThoughtLab, the research included global surveys of investors and investment providers, and was based on a survey of 2,000 investors across countries, wealth levels, ages, lifestyles, occupations, gender, and other characteristics.

We have looked at the real-world responses that our research recorded, and have unpacked some key themes, including what investors will expect from providers in the years ahead, as well as the opportunities that exist for providers to consistently deliver in line with these expectations.

The value of advisors

The role of advisors is highly valued, with statistics showing that there is a consistent view on the value they bring to the table. Trust plays a key role.

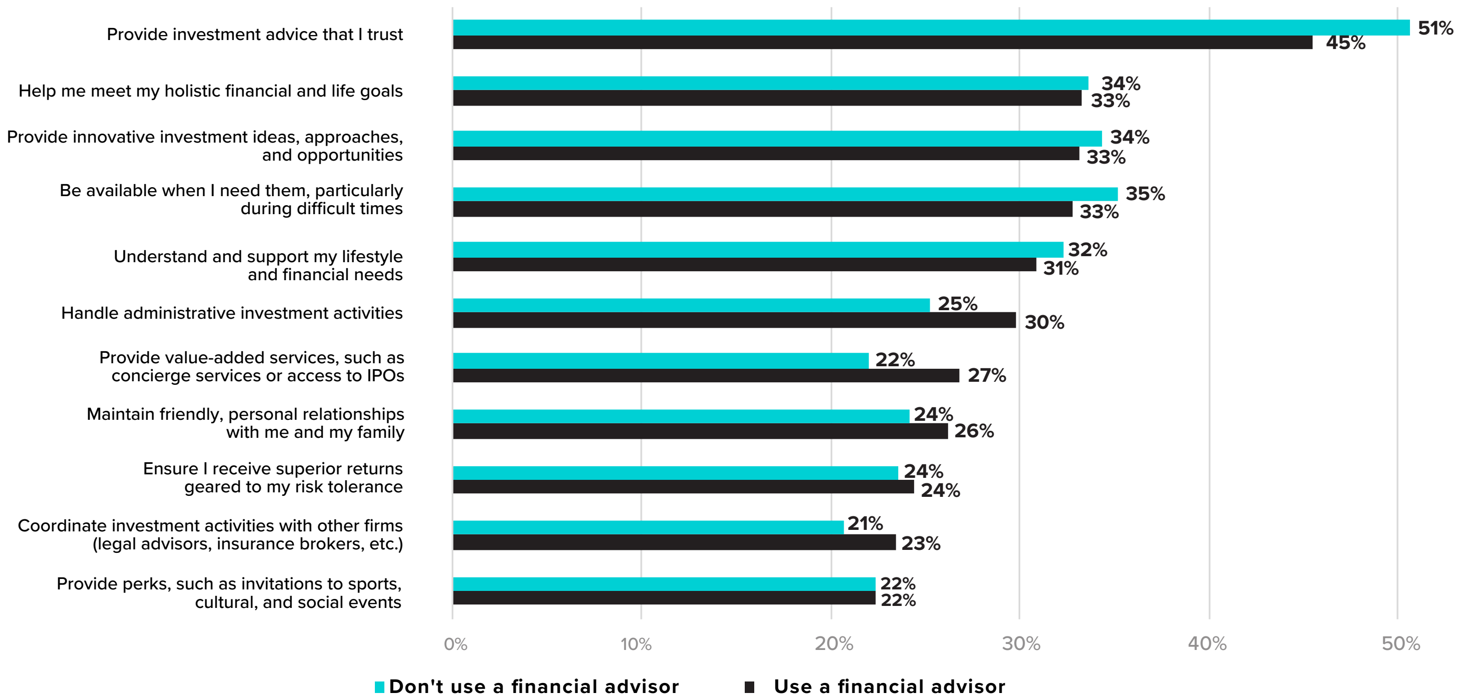
This view is reflected across the board – regardless of whether respondents currently use an advisor or not.
Just under half (45%) of those who do use an advisor and just over half (51%) of those who do not use an advisor say that the greatest potential value an advisor can add in the next 3 years is to provide trusted investment advice. The blue sky potential value of advisors doesn't end there, however.

Our research shows that a holistic approach, innovation and availability are also highly important to investors.

Respondents were asked to consider the greatest value they believe an advisor could deliver in the next three years, and several additional important areas of value-add were identified. Significant percentages of respondents think that advisors can add value in the following ways:

- **Helping me meet my holistic financial and life goals**
  A third (33%) of those who currently use an advisor and a similar percentage (34%) of those who do not selected this option. Interestingly, when asked elsewhere in our survey whether or not they value a holistic view of all assets and liabilities, over two thirds of respondents (68%) agreed that they do, highlighting that this is an area where providers can add immediate value – by delivering a broader offering that takes an investor's holistic wealth into consideration.
- **Providing innovative investment ideas, approaches and opportunities**
  Once again, roughly a third of respondents selected this as an area of potential value-add from an advisor. This view was expressed regardless of whether or not they currently use an advisor, and underscores how important innovation in the wealth space has become.
- **Be available when I need them, especially in difficult times**
  33% of those who use an advisor and a slightly higher 35% of those who do not say they value advisor availability, particularly in difficult times. This once again plays into the theme of trust and highlights the value of trusted advice during times of uncertainty or volatility.

Greatest potential value for personal advisor in the next three years



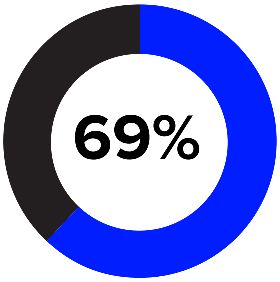
*Q. In the next three years, in which areas do you believe a personal advisor will deliver the greatest value to you?"

The impact of AI

The growth of AI and its implications globally across all sectors cannot be ignored. Investors consistently agree that AI is making an impact in the wealth space.

Our research shows that AI is already substantially impacting the wealth industry, with respondents largely agreeing that AI will shape the investment landscape going forward.

From a provider perspective, a substantial 69% of providers agree that "AI will significantly change the way my firm works". Furthermore, almost all (92%) identify themselves at advanced or mid-implementation when it comes to AI automation.

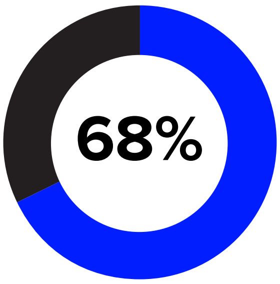


of wealth management providers say that AI will significantly change the way their firm works

Respondents were asked to select the stage of development of their organisation in different areas of technology and process transformation. For AI-enabled, automated activities, 48% selected "advanced stage" and 44% selected "mid-implementation stage".

These findings firmly underscore the role of AI as an indispensable building block in the wealth industry going forward – and, looking at the impact of AI from an investor needs perspective, it similarly becomes clear that AI is substantially shaping investor experiences and expectations.

For example, a significant 68% of investors now expect their providers to deliver digital experiences that are on par with leading born-digital companies. In addition, 60% of investors want their providers to supply better digital tools so that they can manage their investments directly.



of investors now expect their provider to deliver a digital experience that is on par with leading born-digital companies.

These findings are not surprising when one considers the host of benefits that an AI-enabled approach offers. For providers, a more automated approach offers speed, a reduction in manual errors, cost-effectiveness, and more. For investors, the appeal is also substantial, with AI promising 24/7/365 connectivity, ease-of-use, cross-device access and lower costs.

Towards a hybrid advisory model

These two clear and consistent messages from our survey respondents – that they value the role of advisors, and that they embrace the benefits of AI – strongly suggest that a hybrid advisory model will become the norm in the future wealth space.

In line with this view and the opportunity it poses, we also see that solving for an omnichannel distribution model is one of the greatest challenges globally for Wealth Managers. We are yet to see a "silver bullet" solution which solves this challenge perfectly, as a lack of consistency in data, advice and UI/UX is still causing issues. However, embracing the potential of AI could solve for a number of these issues.

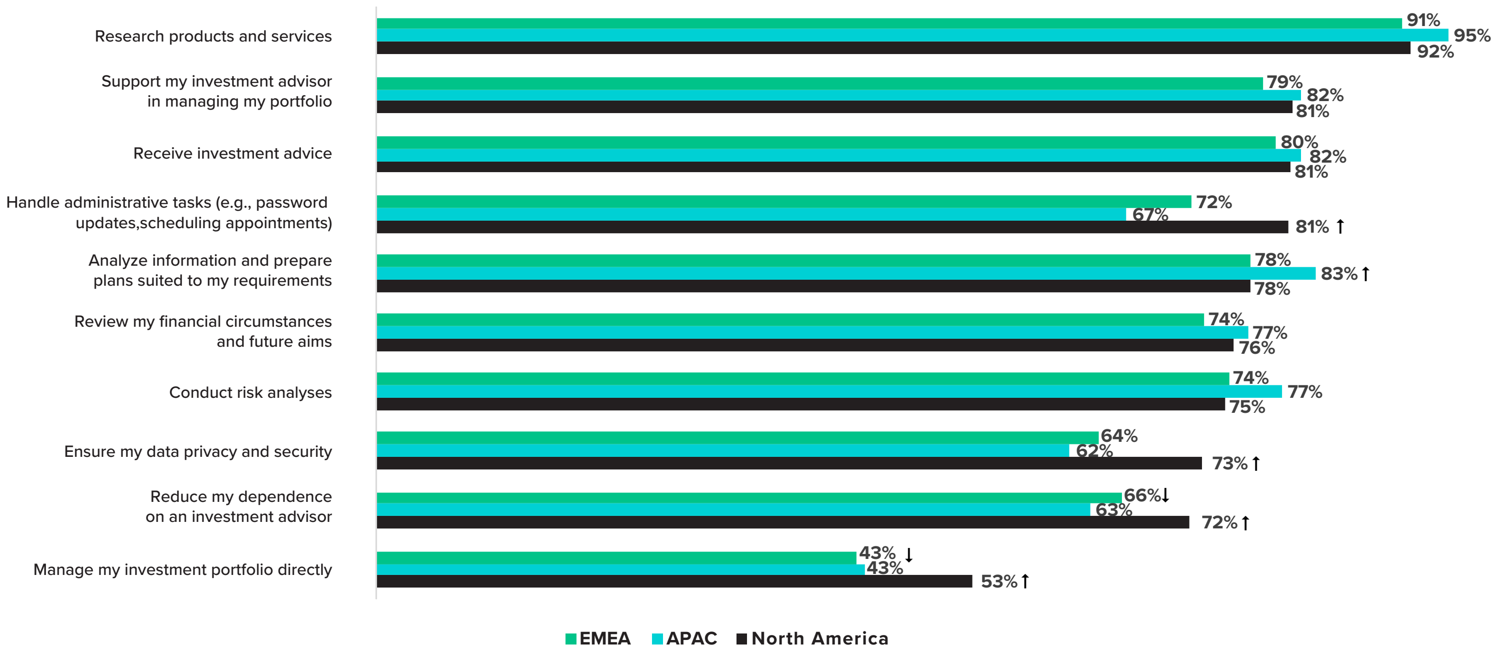
A hybrid advisory model combines both technology and human expertise in varying degrees, and a number of insights from our research support the view that hybrid models will become a mainstay of the industry.

For example, it is clear from our findings that investors are generally open to AI being used within the investment journey, but at the same time, they do not wish it to take full control – a degree of human oversight is valued.

Respondents were asked to what extent they would use different AI-enabled processes for a range of investment-related tasks, assuming that doing so would save them both time and money. Relatively high percentages of respondents indicated that they are willing or somewhat willing to harness the power of AI to research products and services; support investment advisors in managing portfolios; receive investment advice; and handle administrative tasks such as password updates and scheduling appointments.

While these are the areas in which the highest numbers of respondents appear willing to use AI, far lower percentages are willing or somewhat willing to use AI-enabled processes in other areas, including managing investment portfolios directly. Once again, this points to the recognised value of human involvement in the investment management process.

Willing to use AI-enabled processes for business functions and tasks



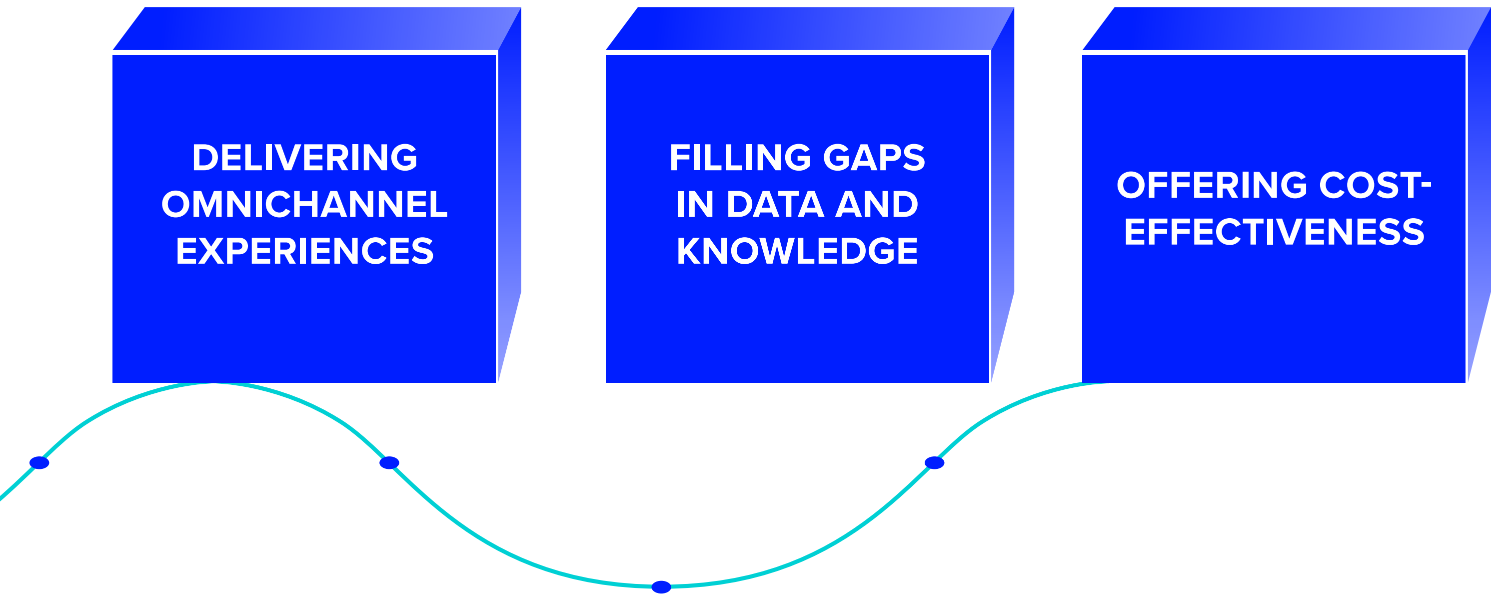
"Q. If it saved you time and money, to what extent would you be willing to use AI-enabled processes for these various tasks?"

Our expectation that a hybrid model will be the model of choice going forward is good news for providers, since it offers substantial opportunity – both for advisors and for those catering to the self-directed market.

Where are the opportunities for providers?

Against this evolving backdrop, wealth providers are looking to build scalable models that boost both their productivity and their profitability.

While there are many opportunities for growth and differentiation in the future wealth space, we have identified three key areas we believe providers should concentrate on if they are to meet changing investor expectations in a highly dynamic wealth environment. These are:



Let's look at these in more detail and unpack how providers can best achieve each of these objectives in order to succeed in the future wealth space.

Delivering omnichannel experiences

As seen in the above sections, investors increasingly expect omnichannel experiences. The omnichannel model is growing in popularity and has become a key area of differentiation for successful providers.

LSEG research has found that a substantial 46% of investors access their account information via a mobile app, and further that 35% of millennials and 34% of those aged 35 to 54 consider a wealth manager's digital capabilities when choosing a provider[1].

Specifically, preferences have increasingly moved away from websites and email and towards mobile apps and video meetings, with investors generally preferring mobile apps for admin tasks and video meetings for advisor consultations and document sharing. These preferences are most evident amongst the youngest investors, but remain largely consistent across age and wealth levels.

These insights offer an opportunity for providers to tailor their offerings in line with changing investor priorities. Going forward, providers need to focus on these preferred channels of interaction, and deliver efficient mobile apps, seamless video meeting functionality and digital experiences that meet expectations.

Filling gaps in data and knowledge

Having the most up to date market data, analytics and actionable insights is key to providing personalised, valuable and timely advice to investors. Our research highlights that gaps in knowledge persist in some key areas, notably in the sustainable investment (SI) space.

Respondents were asked about the barriers to investing with sustainability considerations in mind: a substantial 52% of those who do not use an advisor and over a third (36%) of those that do use an advisor cited a "lack of knowledge about sustainable investing."

1 https://www.lseg.com/en/insights/data-analytics/wealth-fintechs-strategies-for-growth-and-success

Once again, this offers providers an opportunity to differentiate their services by identifying and filling gaps in knowledge. Delivering tailored advice, for example that relating to ESG investments, will become invaluable.

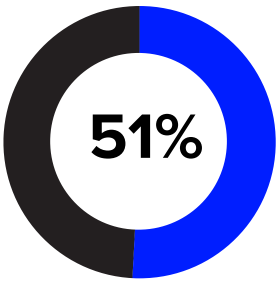
More than this, being able to personalise the investor experience – at scale – will be crucial going forward, and this is true across many areas, not just SI.

Delivering personalised knowledge and advice at scale in turn relies on the ability to harness trusted and complete data and the right technology to enable hyper-personalisation across client preferences.

Offering cost-effectiveness

Dissatisfaction with fees is growing, with nearly two thirds (64%) of investors saying that they would like to see lower fees and simpler fee structures, and that these factors could impact their decisions about whether or not to switch providers.

That said, many investors are more willing to pay for advice during periods of perceived volatility and/or complexity:



of respondents agree that, because of market volatility and complexity, they are more willing to pay a fee for financial advice

This finding underscores the important role that advisors have to play in the wealth equation – adding tangible value in the face of uncertainty and helping to guide investors though periods of volatility by simplifying complexity.

This presents an opportunity for both advisors and those catering to the self-directed market to lower costs and simplify processes through the strategic use of technology. Technology can offer substantial help to keep fees in check, while also offering other tangible benefits, such as streamlining and optimising compliance.

Looking ahead

As providers turn towards what the future wealth space looks like, they can rest assured that, despite the fact that investor preferences are changing at pace, there is ample opportunity to deliver in line with evolving expectations and to meet investors where they are.

Both advisors and those catering to the self-directed market should ensure that they have consistent access to trusted and complete data and the right tools to equip them to better understand – and meet – the needs of their investors. Moreover, they should not underestimate the importance of supporting both advisor relationships and tech capabilities in line with the expected future hybrid model.

To learn more about LSEG's Wealth Management solutions, visit LSEG.com

About the research

Research covered four regions – Asia Pacific, Europe, the Middle East, and North America – and was conducted by:

– Wealth level: the largest shares comprised mass affluent (25%) and high net worth (25%), followed by very high net worth (18%).
– Age: the largest share consisted of Gen X (31%), followed by Baby Boomers (30%).

The study also included a benchmarking survey of senior executives from a cross section of 250 wealth management firms, from independent wealth advisors and private banks to wealth management divisions within regional and international banks.

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