PoV

The Digital Edge: Boosting Wealth Advisors' Productivity

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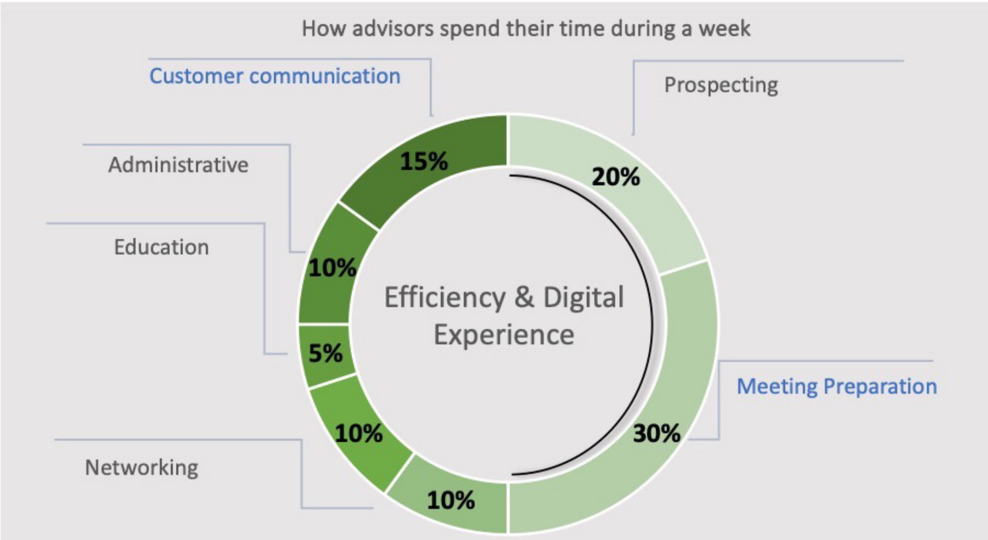
Wealth advisors are confronted with the task of effectively managing investment portfolios amid geopolitical complexities and market volatility. Balancing market changes, client assets, and time pressures presents a significant challenge for wealth advisors aiming to sustain and expand their businesses amid global unpredictability.

All wealth management firms focus on providing advisors with a seamless digital experience and bringing efficiency. Advisor technologies have been extensively invested in giving them a unified view of their customers, portfolios, products, etc. Despite the ongoing enhancements and extension of advisor tool capabilities, they still struggle to prioritize high-value tasks, such as client engagement and preparing for client meetings that consume almost 40% of their bandwidth. Proactively reaching out to customers in time, providing sufficient consumable information, and suggesting investment options are the key traits of a successful advisor.



Advisors perform certain manual tasks daily for their existing client base:

- Decisions about prioritizing meetings with their clients
- Review pending actions from previous meetings
- Schedule meetings and provide a brief context
- Share videos, market news, or a personalized message
- Gather all reports and artifacts that will be presented during the meeting

In addition, advisors must be aware of the health of every portfolio they manage for each client while performing these activities. That entails a 3H analysis: when, why, and what scrutiny of the portfolios must be done. Most advisors perform these tasks manually and use their judgment based on extensive data points and research material. They also develop brief analyses and summarize narratives to share with the clients.

Before we delve into their experience, let's understand the typical size of the advisor's office that supports executing these tasks and the time spent on various activities.

A brief overview of the staff capacity in the advisor's office

- Most independent advisors registered with the Securities & Exchange Commission (SEC) employ less than 50 people in their organization. Twenty to thirty percent of them support the advisors serving their existing clients.
- Advisors who serve individual clients with a total Asset Under Management (AUM) of over USD 300 million and a client base of 500-1,000 typically have more than 10 employees.
- Advisors serving high—and ultra-high-net-worth and institutional clients have a larger base. These advisors cater to 10-12% of organizations in the industry, amounting to more than 60% of the AUM.
- Senior advisors employed by leading asset and wealth management firms usually have 5-8 employees while leveraging the entire organization's technology and operations ecosystem.

How do advisors spend their time?

- A lead advisor spends 50% of their time serving existing clients. Approximately 20% of this time is spent on actual meetings. Furthermore, this does not encompass research, training, and administrative work related to clients.
- Associate advisors and para planners devote over 60% of their time to the same activities.
- Lead advisors typically hold 300-500 client meetings annually, individually or in groups.
- Also, it depends on the type of advisors, such as insurance advisors, brokerage advisors, or RIAs. RIA spends twice as much time serving each client as the other two.
- Meeting preparation, planning, and client servicing require equal time. The quality/size of the support staff and technology sophistication significantly impact the time needed for preparation and analysis.
- After they meet with customers, advisors spend significant time collaborating with their staff to get things done for their clients.

Considering the abovementioned facts, it is clear that advisors spend significant time planning before having meaningful meetings with their clients.

Let us understand on what occasions advisors meet with clients.

- Scheduled meetings: Periodic meetings (monthly/quarterly) based on the account size or customer preference
- Market events: Events or news that directly impacts the portfolio beyond a certain level
- Life events: Retirement, family deaths, divorce, and other events that could potentially impact the financial situation
- Escalation: Client escalation that needs to be addressed urgently
- Others: Promoting new products, maturing of substantial investments, portfolio rebalancing, etc., depending upon the size, demand, and relationship with the client

Advisors must be prepared with all data points for such a meeting. They may include portfolio performance and narratives, financial reports, alternative investment opportunities, new products, research content, market forecasts, the status of action items from the last meeting, etc.
While these are routine activities, monitoring market events and their impact on portfolios requires a great deal of financial expertise, agility, and course correction ability.

The current state of advisor readiness

- Certain organizations are trying to have a single platform/dashboard with access to all the supporting applications. However, the integration of critical applications is still at a very nascent stage. Advisors use 15-20 isolated applications to gather information or generate reports when preparing for their meetings.
- Most wealth management firms are ongoing in aggregating data to provide a unified view. They are not ready for visualization and analytics.
- Real-time valuation and analysis of portfolios, research overlay, market event monitoring, etc., are done in isolation and typically come from the research team or portfolio managers as secondhand information.
- Advisors receive generic research and market news daily. Their task is to determine how the information affects the specific portfolio.
- Advisors go through the arduous process of reading various reports and creating a summary or narrative while presenting them to clients.
- Most importantly, where an advisor manages over 100 clients, it is humanly impossible to assemble all the information and prioritize whom to meet.

Additionally, advisors are also required to maintain a healthy book of business and to track, monitor, and control the inflow of funds and affordability to scale up the company and maintain a target revenue.

What technology capabilities does an advisor need to use their time optimally?

AI-powered sentiment analysis

It involves using natural language processing (NLP) and text analysis to identify, extract, and perform opinion-mining processes for every bit of information critical for advisors and their customers. It also captures market events through multiple channels, including analyst reports, in-house research inputs, market signal feeds, etc. The analysis helps associate them with the portfolio at securities, issuing entity, geography, or industry level.

Realtime predictive analysis and risk management

This involves providing research-based input on portfolio movement and suggesting alternatives while using controlled robo-advisory functionalities and AI-powered advanced algorithms for a mass customer base. The technology can forecast market trends, provide investment insights, and flag risk metrics to support advisors in making informed decisions.

Leverage Gen AI for summarization

The large volume of information, including market and in-house research and analysis reports, is practically impossible to consume and disseminate. Employing Gen AI technology for text summarization using transformer models that are trained on large data sets provides concise and pointed information. Advisors must be equipped with the right system-generated summary and narratives to have a quick conversation with customers regarding the health of their portfolios. For a large customer base, summarization and the creation of commentary can save significant effort and time in reaching out.

The importance of data availability

The availability of accurate and reliable data is the key to the successful implementation of any automation. Advisors' technology groups must start by gathering data sets available across the organization to create cohesive and quality data stores using any organization-mandated technology platforms. Data should be real-time, subjective, and integrated. Data structure does not matter in modern days because the problem of processing unstructured and semi-structured data has already been solved by industry.

Pay attention to experience

Whether it is advisors or their customers, the experience of delivering and consuming the information is critical. Organizations must focus on omnichannel experiences with ease of using the platform. They must be able to communicate through multiple channels, including chats, texts, etc., from their desktops or handheld devices. Also, the capability to trigger transactions while communicating is important.

Agile portfolio management

It is important to implement traditional rule-based, real-time valuation of portfolios and alerts when portfolio movement exceeds the threshold. Also, setting up alerts based on portfolio size and performance at a global and sector/country level is essential. These capabilities will give advisors broader agility based on their preferences and support proactive actions.

Enhanced collaboration and efficiency

As discussed earlier, organizations are still dealing with siloed applications and platforms. Collaboration across the systems and processes will be key to success. Automated and on-demand generation of report packets based on customer preferences will save significant time. On the same note, automation of customer communication, email notifications to customers as an alert, weekly/monthly/quarterly reports with predefined templates, notifications on attaining a milestone, invoicing, etc., will support their efforts.

A hypothetical case study

Let us examine a hypothetical example to learn more about a day in an advisor's life and how the above capabilities can save them time.

A leading advisor from a reputed North American wealth management firm manages over 250 clients whose portfolio sizes range from USD 0.4 to USD 2.5 million. The advisor ensures that his next day's meeting schedule is planned before the end of each day.

When his client base was less than 30, he typically spent about two hours preparing for two or three client meetings the following day. With a small client base and a two-member support team, it was enough to write meeting narratives. As the client base increased, even with a five-member support team, it became difficult to formulate portfolio narratives, market commentary, and other details without getting into the details of each client portfolio. Additionally, during any market volatility, the team calls for support from multiple teams to monitor, strategize, and reach out to negatively impacted clients. Despite constant assistance, there were delays, and the team required much effort to correct the content.

Extracting, analyzing, and contextualizing the content remains a manual process. Advisors have limited bandwidth to acquire new customers, and existing customers are unhappy with the lack of a proactive approach. To enhance efficiency, the firm plans to construct a simple and accessible information repository, which will be backed up by NLP-based analytics.

Conclusion

In the era of rising costs and shrinking margins, the advisor community must channel their efforts to maximize business. They must provide best-in-class service to their clients rather than performing routine tasks manually. Organizations need to give the advisors a technology platform that enhances their efficiency and provides a better experience. Access to advanced research and analytics, robust financial planning and portfolio management tools, and better system & information access tools in a single pane of glass view are the keys to their success.

Disclaimer

Data on file: The statistics presented in this point of view are derived from in-house research and findings, as well as interactions with clients.

About the author

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Sukant is a seasoned leader with three decades of experience in capital markets and IT services. His expertise spans Asset Servicing, Clearing & Settlement, Investment Banking, Wealth Management, and Data Management. He has led transformative initiatives and established new business verticals, delivering optimized solutions for various firms.

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