FIVE KEY TRENDS
IN US WEALTH MANAGEMENT FOR 2025

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We highlight the key trends that will shape the wealth management industry in 2025.

As technology is further integrated into our daily activities, customers have become accustomed to seamless digital experiences in all aspects of their lives. Through 2025, they will expect financial institutions, including wealth managers, to deliver the same level of ease and relevance. At the same time, it is becoming increasingly clear that expert advisors remain a critical element in growing and delivering wealth management services.

This is driving wealth management firms to explore new and more powerful ways to augment the human advisor with synthesized information, along with providing customers with access to an expanded suite of products and services, including private market investments, that better suit their needs.

Five key trends are about to drive further transformation in the US wealth management industry.

‘BANK ON THE BANK’ IN GROWING WEALTH MANAGEMENT

Financial advisors often face difficulty growing their book of business due to traditionally high levels of customer retention in wealth management. Coupled with the difficulty that new advisors face in establishing themselves in the industry, this has meant that the recruitment of established advisor teams has become the primary way to grow revenues.

Increased competition for talent, however, has been driving advisor acquisition costs of up to 2-4 multiples of trailing 12-month revenues in upfront and back-end payments.[1] Additionally, the growth of Registered Investment Advisors (RIAs), fueled by private equity capital, is putting pressure on margins, as independent firms have higher payouts and lower operating margins than banks and wirehouses. [2]

In response, wealth managers are seeking customer synergies across adjacent businesses to cross-sell advice to banking, retirement, stock plan and direct brokerage clients. For example, JPMorgan and Merrill Lynch have put financial advisors in their bank branches, while Morgan Stanley acquired E*TRADE and stock plan businesses to drive cross-selling, and Citi is using access to its book of banking clients as a recruitment incentive to help advisors build relationships with existing customers.[3] While each has taken a different approach, they have the same goal of leveraging more channels to capture wealth management AUM.

Successful wealth management firms are applying differentiated service models to serve various client segments. Firms are using advanced analytics to define an omnichannel strategy for servicing lower AUM clients through high touch digital channels while higher potential clients with significant held-away assets are being transitioned to high-performing advisors.

This enhances opportunities for banks to cross-sell wealth management into their banking client base, which remains a significant untapped opportunity to drive sales collaboration and deliver an omnichannel wealth and banking proposition to customers.

KEY TAKEAWAY

Firms have an opportunity to increase revenue by growing their wealth management client base from existing banking relationships. Omnichannel strategies should include techniques to deepen human relationships with high-potential wealth clients, while using digital engagement methods to further serve the entire customer base.

DIGITAL REMAINS IMPORTANT BUT HUMAN ENGAGEMENT IS CRITICAL

Since the COVID-19 pandemic, firms have been doubling down on investments in digital platforms. The thesis was that people are using an increasing number of digital platforms in their daily lives and would expect digitization in their financial lives as well.

Under the 'digital first' mantra, many wealth managers designed digital experiences to meet client expectations and reduce operational costs. To their detriment, the digital experiences they created lacked the human element which, in practice, has often resulted in extremely low cross-selling opportunities and growth.

When it comes to important financial decisions, many customers seem to have a strong preference for human interaction over digital advice. A 2024 FINRA study found "over half of the respondents consulted with financial professionals (63 percent) and friends and family (56 percent) for information when making financial decisions, while only 5 percent indicated they used AI."[4]

This may be in part because the industry is still in the foothills of developing true AI-enabled digital journeys. However, human interaction seems to be a key factor in building trusted relationships with clients.

Financial advisors can help reassure clients that they are making the right decisions and give nuanced advice based on a holistic understanding of a client's situation. Financial advisors are also becoming life coaches, who help clients navigate a wider range of personal or financial situations with empathy.

Firms must focus on finding the right balance of 'high tech' and 'high touch' approaches for their target segments. They need to preserve the human touch where it is most valued by clients, and to leverage human skills by supporting their advisors with time-saving tools, relevant data-driven analytics and contextual information.

KEY TAKEAWAY

The importance of human advice is becoming clear to wealth managers, who are shifting their strategy to balance and complement digital experiences with personal touchpoints. Developing the right kind of hybrid approach will be critical to driving growth from an established base of long-term clients.

THE DEATH OF ROBO-ADVISORS AND HOW FIRMS ARE REPOSITIONING

Robo-advisors began gaining traction after the financial crisis in 2008, with standalone robo-advisors Betterment and Wealthfront launching around 2010. Since then, large financial institutions have developed their own robo-advisors or acquired standalone robo-advisors to capture clients earlier in their financial lifecycle.

Standalone robo-advisors run on a high-volume business model with a lower cost to serve customers due to their lean tech stack. Meanwhile, large firms with their own robo-advisors tend to have a higher cost to serve customers and to operate on the premise that the robo-advisor will become a funnel for their full-service advisory business.

Both business models rely on sufficiently high robo-advised balances, or the promise of higher balances in the future. In practice, the average balance per user is still extremely low compared to the overhead costs associated with servicing them, and customers have not been converting to full-service advisory clients at a meaningful frequency.

As a result, standalone robo-advisors have often shifted their strategy to expand to new revenue channels outside of robo. Many have begun introducing premium services that enable access to human advisors, banking services, crypto portfolios, and other financial services to become a one-stop-shop for their customers.

While standalone firms are expanding to address low profitability, financial institutions with higher customer acquisition and servicing costs are contracting. Many are shutting down or reducing investment in robo-advisor businesses and are looking for ways to integrate their robo-advisory technology investments into their traditional digital experience channels – with the coming year likely to prove critical in determining their success.

KEY TAKEAWAY

Large firms and standalone fintechs have been forced to rethink their robo-advisor strategies. Firms are at various stages of mobilization in their decision-making and strategy implementation processes. Those transitioning to strategies that use the best parts of their robo-advisory technology to expand other parts of their business will stand to benefit the most.

UNLOCKING 360-DEGREE VIEWS OF THE CUSTOMER THROUGH GenAI

Firms that can build a comprehensive 360-degree view of the client and their financial situation will be able to offer more personalized and effective advice. This more holistic understanding can be used to build stronger relationships, enhance customer satisfaction, drive better financial outcomes for clients, and give financial advisors a competitive advantage.

Nevertheless, the goal is laden with challenges. Wealth management firms frequently struggle with the integration of diverse data sources as they try to dismantle data silos to generate a more holistic view of customers. While modern customer relationship management (CRM) systems can help build a 360-degree view of the customer, legacy technology stacks and integration of data from external aggregators often impede their rapid implementation.

Aggregating data is not enough, as deriving timely and actionable insights can be challenging even with all the data in one place. Financial advisors can spend a considerable amount of time analyzing client goals, their preferences, current portfolio performance, new products that may support their goals, client satisfaction as evidenced by past interactions, and other information.

This effort detracts from their ability to focus on client engagement and service.

The advent of GenAI offers a new avenue to solve these challenges. Although implementing GenAI in a wealth management context is not simple, it has real potential for cutting the time that financial advisors spend grappling with systems and information so that they can devote more time to building and nurturing client relationships.

KEY TAKEAWAY

By leveraging GenAI technologies, wealth management firms can enhance their customer understanding, streamline operations, and deliver more personalized and effective services.

CONSUMERS ARE HUNGRY FOR ALTERNATIVES

The investment landscape is evolving as consumers seek alternative investments to diversify their portfolios beyond traditional stocks and bonds. This growing demand is driven by the desire for higher returns and reduced correlation with public markets.

Recognizing this trend, fintechs and investment companies have innovated to meet the needs of retail and mass-affluent investors. One significant development is the creation of new fund structures with lower investment minimums, democratizing access to private markets.

Asset types that were once exclusive to institutional investors and the ultra-wealthy, are now within reach of a broader audience. This shift allows more investors to benefit from opportunities in real estate shares, art funds, infrastructure assets, private credit, crypto, and other alternative asset classes.

Expanding access to private markets also creates an opportunity to reduce the illiquidity risk typically associated with private investments. Several fintech marketplaces enable investors to sell their stake in private investments or purchase secondaries with more flexible investment windows.

KEY TAKEAWAY

As fintechs democratize access to alternative investments, some wealth managers continue to limit their offering to traditional alternative investments with high minimums, high fees, and low liquidity. With the alternative investments landscape likely to develop still further over the next year and beyond, wealth managers that adjust their strategy to address the needs of a wider range of investors will be best positioned to succeed.

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