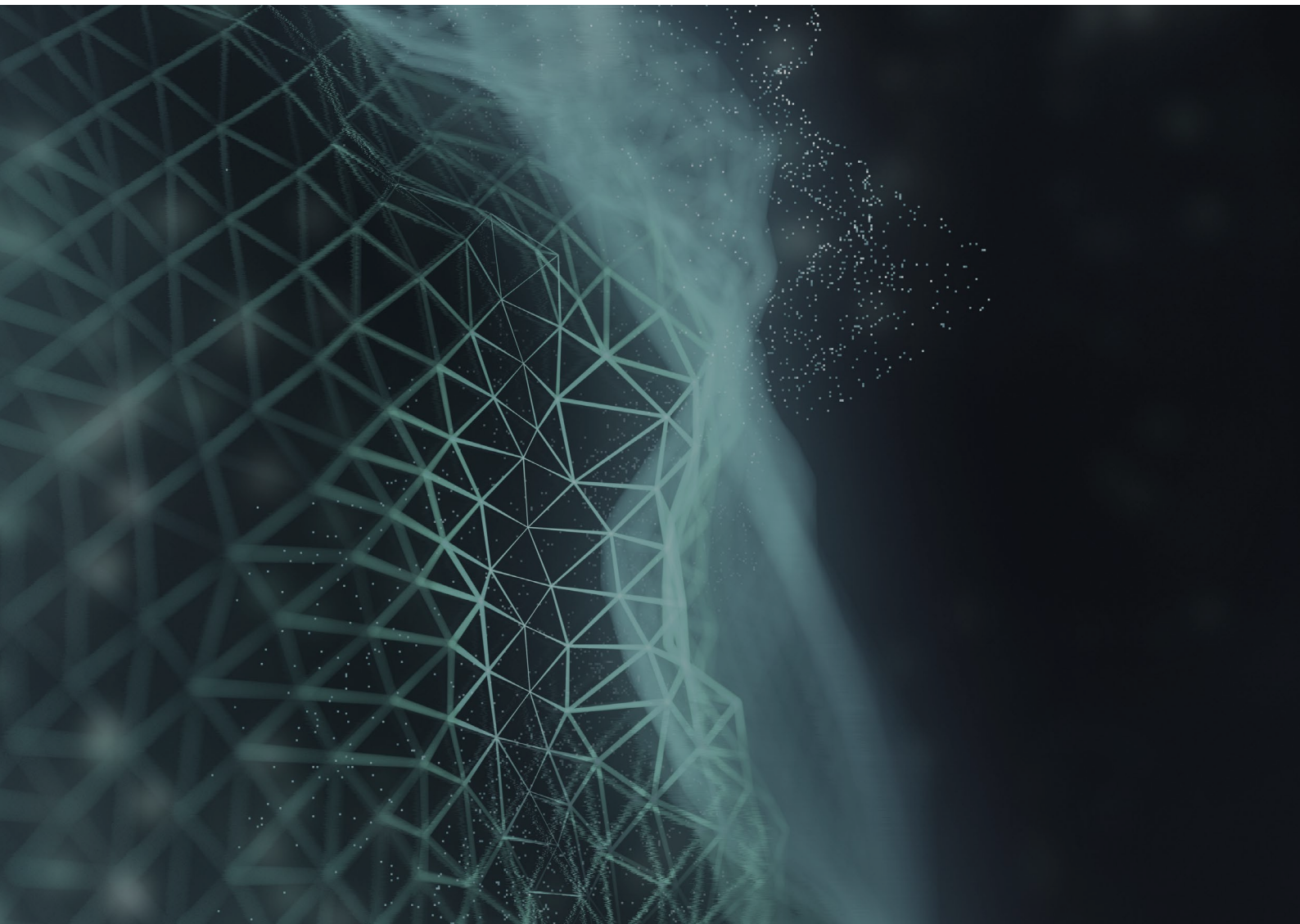


CAPCO

EMBRACING THE EVOLUTION

OF DIGITAL COLLABORATION IN WEALTH MANAGEMENT



INTRODUCTION

We expect COVID-19 to have a lasting behavioral impact that will accelerate the need for the digitalization of the financial advisor-client relationship. As a result, wealth managers must continue more than ever to pursue forward-looking strategic digital choices despite—and, in many ways, because of—the challenging environment of the COVID-19 crisis to weather the challenge and remain competitive.

As we discussed in our **Strategy for Wealth Managers in a Time of Crisis** article, in addition to addressing the urgent crisis, financial institutions should prioritize their growth and digital strategy efforts, specifically Financial Advisor-Client Digital Collaboration. We see the need for this focus not only in the immediate circumstances that define the crisis today but also in what we expect to be long-term and enduring behavioral changes by clients.

Even before the crisis, digital transformation has driven a profound change in the wealth management industry. But, too often, wealth managers have adopted an attitude of a digital-first experience for all clients across all products and the entire service value chain without closely considering the most effective experiences and collaboration models for their client segments.

Part of the reason for this oversight is that Millennial and digital transformation have become nearly synonymous. Wealth managers want to meet Millennials' presumed digital expectations to compete for the great wealth transfer expected over the next few decades. Therefore, many wealth managers embarked on a digital transformation journey, explicitly targeting the Millennial client base—sometimes at the expense of a consistent experience for their current clients.

Now, COVID-19 is putting the past few decades of strategic digital choices to the test. For many wealth managers, the crisis has not only stressed business resiliency and revealed gaps in the operating model, but also shed light on clients' holistic digital experiences. As most current interactions are confined to digital, financial advisors are suddenly challenged to deliver the same quality of service via those digital channels. This, in turn, stresses the demand for different digital collaboration models across client segments.

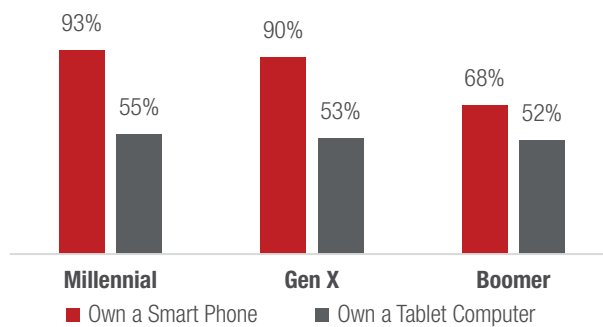
Our view has always been that digital transformation must allow wealth managers to compete for growing Millennial wealth as well as deepen relationships with their existing client base. Wealth managers need to pointedly invest in appropriate user-driven omni-channel experiences and use flexible and client-focused digital collaboration models to attract Millennial wealth.

As wealth managers begin to transition from crisis management, we are keen to share a few insights, developed through deep user research, on effective foundations for creating a sound and client-centric digital transformation strategy.

ALL CLIENT SEGMENTS ARE EMBRACING DIGITAL SOLUTIONS

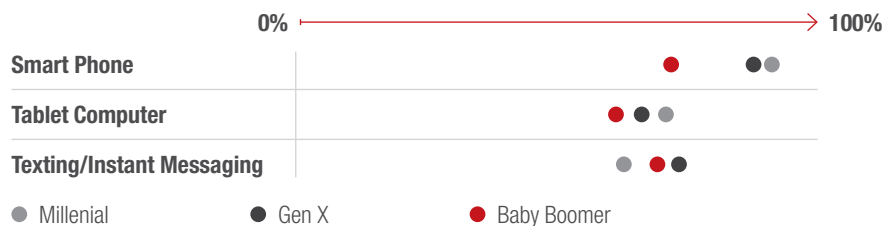
A common misconception is that Baby Boomers and Gen Xers are generally less open to digital technology and solutions. However, research has shown that over 90 percent of Gen Xers own a smartphone, over 53 percent own a tablet computer, and

over 86 percent use social media-trends highly comparable to those of Millennials. While relatively lagging, over 50 percent of Baby Boomers own a smartphone or a tablet computer and use social media¹.



As to wealth management digital solutions, our research and analysis also shows that clients of all generations are willing to adapt to digital solutions that would make their experiences more manageable and consistent across the platform.

As the general population-not just millennials-continues to become more tech-savvy, wealth managers need to be mindful to invest in digital solutions that can flexibly service all client segments.



Millennials are comparably less comfortable with texting despite comfort with Smart Phones

1. <https://www.pewresearch.org/fact-tank/2019/09/09/us-generations-technology-use/>

DIGITAL SOLUTIONS SHOULD ENCOURAGE ADOPTION FROM BOOMER & GEN XERS AND PREPARE TO CAPTURE THE MILLENNIAL SEGMENT

While millennials are expected to inherit over \$68 trillion² from Baby Boomers over the next two decades, it's important to consider that Baby Boomers still account for more than half (57 percent) of the nation's wealth today³. In addition, Gen Xers, who account for more than 16 percent of the nation's current wealth and are likely to receive the wealth transfer from Baby Boomers even earlier, are often lost in the fray.

As wealth managers prepare for this wealth transfer over the next two decades, it's important to take a step back to design digital solutions and experiences that will deepen current client relationships. These solutions and experiences should especially cater to current clients (Boomer and Gen Xers), and flexibly reactive to evolving client demands.

WEALTH MANAGERS NEED TO INVEST IN DIGITAL SOLUTIONS THAT SUPPORT FLEXIBLE DIGITAL COLLABORATION MODELS

Digital solutions are not only cutting-edge tools and capabilities from best-in-class vendors but holistic experiences across platforms that best replicate the traditional personal wealth management experience. We have identified four main themes to deliver an optimal digital wealth experience:

- 1. Quick Access:** Clients expect quick and seamless access to all their information without redundant sign-on or breaks in User-Interface (UI).
- 2. Consistency in Experience:** Omni-channel access is crucial, but the experience must be consistent across different entry points.

- 3. Digital Collaboration:** Different segments, even clients within the same segment, expect digital solutions to create different digital collaboration styles, across the wealth management value chain.
- 4. Personal Services:** Digital solutions and collaboration should not replace in-person access to advisors, but should look to augment the personalized experience for clients.

Quick Access and Consistency in Experience present common pain-points that clients have experienced as wealth managers continue to digitize their services. While digital options are often available to clients across different platforms and products, they often result in disparate experiences. For example, mobile UI is often vastly different from desktop UI, causing user confusion.

2. <https://www.cnn.com/2019/10/21/what-the-68-trillion-great-wealth-transfer-means-for-advisors.html>






3. <https://www.marketwatch.com/story/this-depressing-chart-shows-the-jaw-dropping-wealth-gap-between-millennials-and-boomers-2019-12-04>

WEALTH MANAGERS NEED TO INVEST IN DIGITAL SOLUTIONS THAT SUPPORT FLEXIBLE DIGITAL COLLABORATION MODELS (CONTINUED)

In addition, clients are too often required to sign-on in multiple locations or switch platforms several times to view different products and accounts, creating undue burdens.

Digital Collaboration reveals the need for wealth managers to remain flexible around their client's digital preferences. Clients

often prefer a combination of different digital collaboration models, from in-person interactions enhanced by digital solutions to mobile, desktop, and online bi-directional interactions. These different collaboration models provide impactful opportunities across the wealth management value chain:

					
	1. Prospecting & Sales	2. Discovery & Planning	3. Onboarding & Client Servicing	4. Portfolio Construction & Management	5. Practice Management & Client Engagement
Our POV	Firms require an advanced digital sales platform with capabilities, such as sales demonstration tools, that help communicate FA value to prospects, enhanced by strong CRM integrations and automated communications & marketing distribution	Providing advisors with a client-centric financial planning platform equipped with collaborative digital capabilities, maximizes advisor differentiation and fosters strong relationships with end-clients	An intuitive, AI powered client onboarding portal with strategic client engagement opportunities allows for a seamless user experience and removes the burden of manual activities for advisors	Whether building a platform or outsourcing to vendors, a robust collaboration strategy is required to allow advisors to allocate more time to activities that help grow client relationships	In today's market, advisor efficiency is paramount in driving superior firm performance – efficiency can be maximized by automating advisor activities and enabling digital FA/client engagement capabilities through advanced technology
Industry Insights	<p>Digital Sales Demonstrations: Demonstrate value to prospects with demos, such as portfolio back-testing, showcasing how FA's strategies outperform benchmarked portfolios</p> <p>Data-Driven Content Marketing: Automated and targeted marketing integrated with CRM solutions to increase prospect pool</p> <p>Automates Sales Workflows: Automated workflows and recommendations expedite sales processes & eliminate manual tasks</p>	<p>Client-centric Financial Planning: A digital platform with interactive capabilities and tools, such as digital whiteboarding, co-browsing, and video chats, to provide a holistic financial picture</p> <p>Innovative Goals-based Planning: Advanced planning tools with robust account aggregation and real-time visualization to help clients understand complex concepts</p> <p>Direct Communication: Expedited communication through secure texting, email, and document sharing</p>	<p>Optimized UX: Firms have been using FA/client UX as an opportunity for differentiation as platform capabilities and tools become increasingly commoditized</p> <p>AI Powered Digital Onboarding: Lower onboarding transaction time with automated onboarding process</p> <p>Onboarding Due Diligence: Expedite onboarding due diligence process, using secured document sharing, electronic signatures, and other capabilities</p>	<p>Sophisticated Portfolio Analytics Tools: Application sharing, whiteboarding, and co-browsing capabilities will allow advisors to effectively communicate their value proposition to the client</p> <p>Targeted Communication: Increased communication with targeted content through social media, secured texting, emailing, and other marketing tools will help deepen advisor-client relationships</p>	<p>Enhanced Integrations: Robust integration with CRM and account aggregation systems to maximize utility of insightful client data</p> <p>Digital Engagement: Enhance collaboration with clients through various digital channels and tools</p> <p>Automated Workflows & Next Best Action: Machine learning technology and predictive modeling can inform automated workflows and next best action recommendations to maximize FA efficiency and decision-making</p>

Digital solutions are not meant to-and can not-replace personalized services and the in-person wealth management experience. However, digital solutions can supplement and

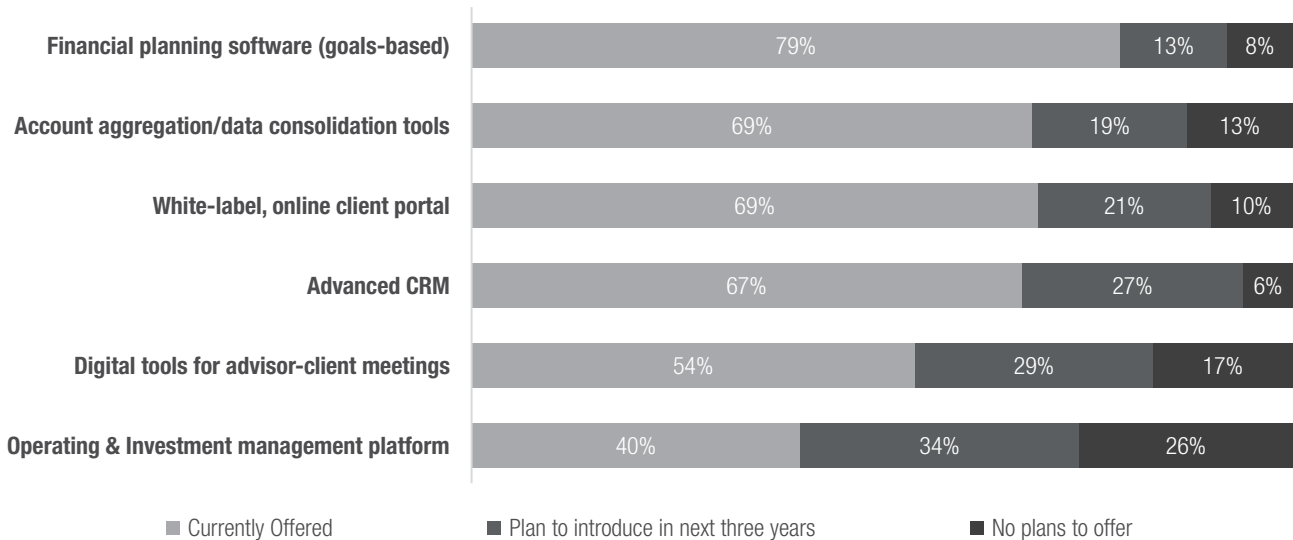
elevate the client experience by reducing inefficiencies to allow for more efficient and impactful financial advisor-client interactions.

WEALTH MANAGERS ARE INVESTING IN A SPECTRUM OF DIGITAL EXPERIENCES

Wealth managers have been investing in a full spectrum of collaboration models, ranging from digitally enhanced in-person experiences to online bi-directional interactions. Some notable recent examples include:

- Wealth managers are modernizing their branches with digital capabilities, such as interactive displays. In addition, advisors often leverage mobile and tablet devices during in-person interactions to create real-time visualizations and sample plans to help clients understand complex concepts.
- To more effectively provide high-touch experiences, some wealth managers are investing in digital capabilities that help simulate in-person experiences for clients, from the comfort of home. These programs leverage portable devices to help financial advisors more efficiently engage with their clients.
- Secure texting capabilities, where clients can send secure text messages to a financial advisor, is becoming a more widespread capability to allow financial advisors to communicate with clients efficiently.

Wealth Manager: Current Technology and Planned Improvements



Source: Cerulli Associates, "U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2018"

WEALTH MANAGERS ARE INVESTING IN A SPECTRUM OF DIGITAL EXPERIENCES (CONTINUED)

These different collaboration models are all designed to leverage digital solutions to enhance and digitally replicate client experience with the advisor, allowing the advisors more opportunities to interact with the clients efficiently.

We at Capco believe it is important to continue to pursue these forward-looking strategic choices during this challenging environment. For the past 20 years, we have helped our

clients prepare for and manage such disruptions. And amid the COVID-19 crisis, we remind our clients to take a step back and not lose sight of the big picture-digital transformation will continue to accelerate and, without a targeted digital strategy, wealth managers risk losing clients and financial advisors.

Digital is the now and the future. Whether your need is near-term or long-term, Capco is here to help.

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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

To learn more, visit our web site at www.capco.com, or follow us on Twitter, Facebook, YouTube, LinkedIn and Instagram.

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