WEALTH MANAGEMENT
IN THE DIGITAL AGE
NEW PRIORITIES IN A
CHANGING WORLD
DIGITALIZATION HAS LONG BEEN TOUTED AS THE FUTURE FOR WEALTH MANAGEMENT. BUT AS WE HEAD TOWARDS A ‘NEW NORMAL,’ THAT FUTURE HAS NOW ARRIVED.
WHILE SOME WEALTH MANAGERS HAVE BEGUN THE TRANSFORMATION TOWARDS A 21ST CENTURY DIGITAL BUSINESS MODEL, PROGRESS IS PATCHY.

The latest WealthBriefing/SS&C Advent annual Tech & Ops Trends survey found almost a third of institutions are only at the earliest stages of digitalizing their businesses. And while a quarter of respondents gave their organization a “good” rating, no participants said their firm is as digitalized as it wants to be.

How far progressed is your firm on its digitalization journey (%)

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<tr>
<th>Stages of Digitalization</th>
<th>Percentage</th>
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<tr>
<td>Very early stages of digitalization</td>
<td>20%</td>
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<td>As digitalised as we want to be</td>
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If wealth managers ever needed a reason to embrace digitalization, then the experience gained from the coronavirus pandemic and the way the world is being reshaped in its wake are surely it. The way we all work, play and interact is changing irreversibly. The focus for every business now is on how appropriate, robust and suitable their operating model is, and how quickly they can adapt to any future threats and opportunities.

Digitalizing the client experience gives customers remote access to the products and services they want, when and where they want them, on an easy-to-use platform. Clients get convenience, while wealth managers benefit from lower cost of delivery, along with an increase in potential touchpoints to reinforce those relationships.

As a Deloitte report on the lessons from the coronavirus observes: “the COVID-19 pandemic will further accelerate the differences between winning wealth managers that explore edge business models, increase their operational agility and engage digitally with their clients – and other firms with a more reactive or passive approach”.

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WHY DIGITIZE?

DIGITALIZATION OFFERS WEALTH MANAGERS A WAY TO SQUARE THE CIRCLE:

THE ABILITY TO PROVIDE MORE RELEVANT, RESPONSIVE SERVICES THAT SATISFY CLIENTS’ CHANGING EXPECTATIONS, AND DELIVER THEM AT LOWER COST.
With a protracted U-, W- or L-shaped global economic recovery on the cards, deep, cross-asset market routs and periods of heightened volatility will likely be a feature in the months (and possibly years) ahead. During turbulent times, wealth management clients need trustworthy advice and guidance more than ever.

**AS THE DELOITTE RESEARCH POINTS OUT, “INCREASED FOCUS ON ADVISORY EXCELLENCE, BASED ON A DEEP UNDERSTANDING OF CLIENTS’ NEEDS AND CONSTRAINTS, HAS EMERGED AS THE NUMBER ONE CLIENT PRIORITY GOING FORWARD.”**

Deloitte

Improving the customer experience with timely, personalized advice gives wealth managers an opportunity to strengthen their client relationships through periods of pain, helping augment their brands. The form, frequency and delivery of that advice will be a key differentiator.

For instance, client interest in receiving enhanced direct access to proprietary and third-party investment research is on the rise, notes Deloitte. While posting or emailing that research are options, a centralized information hub that clients can access on demand through an online portal offers a far more efficient and responsive communication channel.
A poll carried out by independent global financial consultancy deVere Group found that although 52% of respondents still want face-to-face financial advice, 42% prefer videocall platforms like Zoom.

“THE SURVEY UNDERScores THAT INCREASINGLY PEOPLE WANT BESPOKE FINANCIAL ADVICE COMBINED WITH INNOVATIVE TECHNOLOGY,”
said deVere founder and chief executive Nigel Green.

So while relationship managers will remain at the core of the client relationship, “digital technologies will enable them to serve their clients better, in a more effective and personalized way,” says Boston Consulting Group in a recent paper.

Wealth management firms need to accelerate the digitalization of advisory services in response, BCG argues: “Wealth managers must work towards truly hybrid models, where a large part of client contacting and servicing is performed via digital channels; where clients can receive, assess and simulate the impact of investment proposals; and where clients and advisors have the option to interact effectively in new digital formats.”

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SUPPORTING STAFF AND CONTROLLING COSTS
DIGITAL CAPABILITIES PLAY A VITAL ROLE IN BOLSTERING WEALTH MANAGERS’ OPERATING RESILIENCY AS WELL.

Projections for future pandemics, and an increase in climatic events such as wildfires, floods and category five storms point to the risk of more frequent future disruptions. Employing remote working arrangements and virtual collaboration to keep employees safe and operational through such episodes—with robust, secure infrastructure to support them—is a top priority.

DIGITALIZATION OFFERS WEALTH MANAGERS AN OPPORTUNITY TO TACKLE THEIR DETERIORATING COST DYNAMICS TOO.

According to the BCG paper, the industry’s cost-income ratio had reached 77% by 2018, up 17 percentage points from 2007, meaning the average firm “has a much lower buffer to absorb shocks.” By digitizing the end-to-end client journeys, firms have an opportunity to realize “both improved client experience and significant efficiency gains,” says the BCG report.
SUPPORTING STAFF AND CONTROLLING COSTS

ENHANCING SERVICE QUALITY THROUGH BETTER REPORTING AND RICHER SELF-SERVICE FUNCTIONALITY HELPS FIRMS TO:

- **Demonstrate the value they bring**, potentially enabling them to justify maintaining or increasing their fees.

- **Make their operations more scalable** and **limit operational risk** by reducing human touch points.

- **Liberate staff** from laborious and repetitive tasks, freeing them to focus on enhancing the client experience and creating both corporate and client value.

- **Help advisors** limit (and ideally eliminate) the time spent servicing high-touch, low-value customers, allowing them to redirect their efforts to more profitable ones.

A sustained increase in remote working—made possible by the growing breed of digital technologies—will encourage many wealth managers to reassess their ongoing office needs as well. Employing flexible working arrangements and rostering office time to optimize occupancy levels provides opportunities to downsize existing office premises and/or move to less expensive locations.
STILL LAGGING?
BCG CALLED OUT THE SLOW PACE OF WEALTH MANAGEMENT DIGITALIZATION BACK IN 2014, WHEN IT POINTED TO DIGITAL TECHNOLOGY’S ABILITY TO ENABLE RAPID, INTUITIVE, ROUND-THE-CLOCK NAVIGATION THROUGH FINANCIAL SITUATIONS.

Adoption of an integrated, coherent approach that leverages sophisticated digital technologies to enhance wealth management offerings varies substantially though, both within and across national markets. Digital user experiences are well established and expected in the Nordics and Asia-Pacific, noted the WealthBriefing/SS&C Advent survey.

Elsewhere, digitalization is as much talk as action. In part that may reflect weaker client demand, but culture and legacy technology are the real barriers.

Deloitte’s APAC-focused study found ‘conservative’ firms with the least digital maturity have struggled to enable remote working when it is needed, leaving staff without critical access to relevant systems. By contrast, the technological flexibility of ‘digital champions’ (predominantly wealth management fintechs, along with the leading Chinese wealth managers) mean staff are fully empowered and encouraged to work from any location.

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“THE CRISIS MAY WELL HAVE SERVED AS A WAKE-UP CALL FOR MANY WEALTH MANAGERS, PROVIDING A LESSON THAT CONTINUOUS AND OFTEN MAJOR INVESTMENTS, NOT ONLY IN IT INFRASTRUCTURE BUT ALSO IN DIGITAL OPERATING MODELS AND CLIENT PROPOSITIONS, HAVE BECOME A PREREQUISITE FOR THRIVING IN TODAY’S COMPETITIVE MARKETS.”

AND WITH DIGITALIZATION BECOMING UBIQUOUS IN MANY AREAS OF PEOPLE’S LIVES, CLIENTS HAVE COME TO EXPECT SIMILAR SERVICE EASE AND IMMEDIACY FROM THEIR WEALTH MANAGERS.

As a recent Refinitiv/Aite Group report points out, all generations—not just millennials and other younger investors—now expect a digital-first service. Client servicing activities such as managing daily tasks, account opening and onboarding are among the most important areas where wealth managers need to provide digital capabilities, the report found. And such preferences and service expectations will only grow.

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The authors note

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WHAT TO DIGITIZE
ULTIMATELY, CLIENTS WANT PRODUCTS AND SERVICES THAT MEET THEIR SPECIFIC SITUATION AND FINANCIAL/LIFESTYLE GOALS.

And they want the experience to be as seamless, relevant and simple as possible—whether it’s researching products online, opening an account on their laptop, checking balances on their phone, or speaking with an advisor when they’re out for a walk.

First-generation digital tools focused on extending client reporting into digital and interactive communications. These tools deliver a limited range of services, and are largely complementary to existing business models. But they fall short of providing full client engagement.

In more developed markets, many firms are seeking to replace these first-generation tools with new digital capabilities that can support a more powerful, interactive business model. The onus is on delivering multi-functional digital services that enable sophisticated two-way communications across the whole client journey. This engagement starts from the initial prospecting, through onboarding to encompass every facet of the ongoing relationship.
WHAT TO DIGITIZE

Importance of digital capabilities (%)

Please rate the level of importance in providing digital capabilities for the following front-end/client-facing activities?

Service clients
(e.g. daily task, acct opening onboarding tools, e-signature, etc.)

High importance: 86
Medium importance: 9
Low importance: 5

Information
(e.g. monitor investments, statements/ performance reports, client portal for planning, etc.)

High importance: 69
Medium importance: 31
Low importance: 0

Engage clients
(e.g. using video conferencing for client meetings, etc.)

High importance: 34
Medium importance: 46
Low importance: 20

Self-directed
(e.g. robo-advice efforts, etc.)

High importance: 12
Medium importance: 50
Low importance: 38

Source: Refinitiv/Aite Group

Most wealth managers’ digitalization efforts typically prioritize client onboarding, as it is a structured process that can bring dual benefits:

1) **Convenience** and **speed** for the customer.

2) More efficient, paperless, automated middle- and back-office processes for the wealth manager, as well as making it easier to demonstrate compliance with heightened regulatory demands.
OTHER AREAS OF THE CLIENT RELATIONSHIP, AND WEALTH MANAGERS’ ACTIVITIES TO SUPPORT THEM, HAVE LARGELY BEEN LEFT BEHIND.

What is missing is full digitalization of the client and advisor experience. Extended digitalization in turn would help build and develop those client relationships, enhance transparency, and deliver business and operational improvements—especially when it comes to the fast-growing mass affluent market.

Along with onboarding, enabling clients to undertake more self-servicing, so they can monitor and manage their own investments, offers huge potential. Activities such as placing trades; accessing research, reports, and portfolio and performance data through an information repository; and online advisory, or even fully-automated robo-advice, all have potential to be digitalized.

Client advisory (a traditionally human-centric activity) can be digitally enhanced by, for example, providing access to customized research, using video and chat communication channels, or combining predictive analytics with personal advice, notes the Deloitte report. Upgrading digital and performance marketing capabilities could also help firms’ prospecting efforts.
“HIGHER ASSETS UNDER MANAGEMENT LOAD RATIOS FOR CLIENT ADVISORS, OR A LESSER REQUIREMENT FOR OFFICE SPACE IN PRIME LOCATIONS FOR CLIENT VISITS – CONTRIBUTING TO A MUCH-REQUIRED INCREASE IN PROFITABILITY FOR MANY WEALTH MANAGERS,” says Deloitte.

With margins under sustained pressure, the technologies would provide industry participants with much-needed scalability. Plus the service convenience, accessibility, immediacy and personalization can create a powerful, differentiated experience—helping produce happier, ‘stickier’ clients, boosting retention rates and further aiding profitability.
INFRASTRUCTURE FOR DIGITAL SUCCESS
A FULLY-FLEDGED DIGITAL WEALTH MANAGEMENT SERVICE STARTS WITH THE CLIENT PORTAL.

Incorporating streamlined onboarding workflows within the portal allows wealth managers to automatically capture the risk profiles of prospects and clients, and propose investment models and products matched to their needs. Combining client and portfolio data on a single, centralized platform can then deliver complete, real-time views of their portfolios, performance and latest activity—giving clients visibility and control of their assets, while enabling advisors to focus on supporting clients’ needs and growing their wealth.

Self-service tools that allow customers to manage their own investments—letting them buy, sell or switch instruments when and how they want—add further value, helping strengthen the relationship while reducing the demand for human touch points, improving cost efficiencies and scalability.
INFRASTRUCTURE FOR DIGITAL SUCCESS

An interactive portal also serves as a powerful communications and engagement hub. Advisors can upload reports, investment research, product recommendations, client documents needing attention and any other relevant, personalized information. Clients in turn can use it to reach out to their advisors with any queries or return documentation. By enhancing interactions between clients and their advisors, the digital tools can make decisions and discussions more collaborative and transparent, and promote trust in the relationship.

TRULY POWERFUL DIGITAL CLIENT EXPERIENCES—THE SORT THAT KEEP CUSTOMERS HAPPY, INCREASE TRUST AND HELP GENERATE SOCIAL MEDIA APPROVAL—DEMAND MORE THAN JUST A SLICK DIGITAL FRONT END THOUGH.

Apps and online services may boast world-class design, but if they are built on top of flawed core systems, inefficient APIs and poor data quality they won’t deliver real value to clients. Tightly integrating a multi-function, digital user interface with advanced portfolio management and performance reporting systems instead enables advisors to create more customized client experiences, backed by accurate, personalized, on-demand communications. Shifting to a cloud-delivered infrastructure can further boost firms’ operating flexibility, resiliency, cost profile and speed to market.
GET STARTED
SPEED TO MARKET IN TODAY’S DYNAMIC DIGITAL ERA WILL BE CRUCIAL.

Irrespective of institutions’ business strategy and client focus, a high degree of digitalization has become imperative. Wealth managers at the beginning of their digital journey, or whose projects are stalling, risk being left behind.

DIGITAL TRANSFORMATION PROJECTS CAN BE DAUNTING. BUT THEY DON’T HAVE TO TAKE A BIG BANG APPROACH.

More important is to start (or restart) the digital journey, then work with clients and internal stakeholders to learn and adapt as the firm moves forward.

Flexible technology solutions that offer a library of out-of-the-box capabilities allow firms to quickly implement a digital service that at least meets clients’ fundamental needs and expectations in the short term. Over time, those capabilities can be progressively developed and tailored to support the firm’s—and its clients’—specific requirements.

Projects should be interactive, with fast, simplified deliverables and ongoing improvements as part of a constant evolution. Small, frequent updates shaped by user feedback are far more economic and valuable than huge rollouts that become beset by problems and are often obsolete before delivery.
SPEED TO MARKET IN TODAY’S DYNAMIC BUT EMBRACING A DIGITAL BUSINESS MODEL IS NOT PURELY A QUESTION OF TECHNOLOGY.

Internal culture and ownership will be crucial. Digital has fast become a large and essential component in a firm’s DNA, and must be owned and influenced within the organization. Ensuring projects are prioritized and receive the organizational support they need requires determined C-level support. It also requires enterprise-wide recognition that digitalization is not a destination—this is an ongoing journey demanding sustained commitment and action.

STAFF WILL NEED TO ADAPT, AS WILL WORKING PRACTICES.

For example, wealth firms should continue to develop their social media skills and presence across multiple platforms and functions, rather than seeing it as a departmental function. Compliance will need to adapt as well, to become an enabler rather than a constraint on change.
SHAPE OF THE NEW WORLD
Face-to-face meetings, regular contact and a guiding hand will remain an important part of the wealth management service mix—especially when dealing with more ‘traditional’ client segments and highly sophisticated or customized client needs. But these capabilities are no longer enough. Clients, employees, counterparties and regulators have seen how much we can do remotely, and the extent and power of digital services. Wealth managers will need a convincing combination of both.

As the BCG report notes,

“AFTER A NUMBER OF GOOD YEARS FOR THE INDUSTRY, COVID-19 IS A TOUGH WAKE-UP CALL FOR WEALTH MANAGERS TO START OR ACCELERATE A MUCH-NEEDED TRANSFORMATION.

THEY MUST ACT NOW, TO ENSURE BOTH SHORT-TERM RESILIENCE AND SUCCESS IN THE POST-CRISIS WORLD.”

Implementing the right mix of solutions across the entire client servicing chain will be vital if wealth managers are to deliver the sort of client-driven capabilities they need to stand out long term. The world has gone digital. And wealth managers must too.
COMPLEXITY IS RAMPANT - IN FUND STRUCTURES AND VEHICLES, ASSET CLASSES AND PRODUCTS, SERVICING DEMANDS, REGULATIONS, AND COMPLIANCE REQUIREMENTS.

No wonder alternative investment managers have their work cut out to meet the resulting operating challenges.

Yet investors and regulators won’t tolerate errors or confusion. They want accuracy, clarity and insight - into the levels and source of performance, P&L and tax allocations, investor fee calculations, and compliance with regulatory responsibilities - and they want it now.

SS&C Advent is here to help. Our solutions have been designed to tackle these challenges.

Geneva, the industry-leading portfolio management and accounting platform, has been built to support complex global investment strategies and deliver world-class portfolio accounting and position management for any instrument, in any structure, in any region. Rich functionality is complemented by almost unlimited scalability, enabling investment managers to grow their AUM and number of funds without ramping up costs.
Users benefit from unrivalled flexibility too. Do you want to add different strategies, or expand into new markets in the hunt for alpha? Geneva has these capabilities already built in, ready to tap. Clients can even choose how they leverage the system, with either:

- **an on-premise installation for firms seeking that in-house control, or**
- **hosted deployment, giving users secure, fully-managed system access without the in-house infrastructure and maintenance burden.**

Plus, where it makes sense, firms can take advantage of SS&C Advent’s comprehensive suite of middle- and back-office outsourcing services - allowing managers to pick the mix of skills and functionality that will best support their individual business needs.

It gives firms a winning combination of functionality, flexibility, scalability and efficiency - the hallmarks of SS&C Advent’s solutions. Why not see how they can help you manage and grow your business?
DIGITAL WEALTH MANAGEMENT

For more information on how SS&C Advent can support your business visit www.advent.com or contact advent@sscinc.com.