

Topic: Don't Get Lured Into The Hype; Differentiate, Differentiate, Differentiate

This was an interesting week. We have seen a great deal of change in the wealth management market this week. This past week, Envestnet acquired Financelogix, a renowned financial planning software provider to address the future of Robo-Advisors, Vanguard opens robo-adviser to public, and Robo-Advisors now jumping into college savings market (FutureAdvisor starts to offer free online access to 529 plans etc.). It seems everyone is vying for a spotlight and to have a solution for the mass market needs.

Considering the retirement crisis looming for the baby boomer's by 2020, it makes economic sense to build your own Robo-*(Insert moniker here)*. By not having an answer to the mass market needs, the fear of missing out on potential revenues will drive many business owners to buy a technology, if not to just say "I have one too".

But when did you (the financial advisor), become one of those "Me too" people? The profile of the financial advisor is to break the mold, to stand your own, and to build your own legacy; becoming independent. It's important to not lose ourselves amidst the rampant change and pivots in technology.

The reality of Robo-Something Offerings:

Commoditization; if everyone has something, it becomes that much further to differentiate and overall supply of offerings will inevitably pressure price/cost across the entire industry of advice. For financial advisors, this means that value no longer comes in the form of portfolio management or having the latest reports presentation (not to diminish its value, it just won't be the selling point these days). The real value will come from pure relationship management and providing the family with a plan to tackle their life events (i.e., graduation, new careers, second home, first home etc.). A tailored approach that combines relationship management and financial planning will become the bedrock of higher fees and scalable profit margins.

But the idea of "tailored approach" and "scalable profit margins" is an oxymoron. Historically, the two have never complimented each other, with a tailored approach garnering higher cost models to support. So, as a financial advisor, the desire for technology is not necessarily to find your own place amongst the Robo-Advisor offerings, rather address the bigger question; "How do you automate your own tailored approach?" That "tailored approach" will provide the advisor with the higher margin service.

Where things are going for Advisors and Advisor Technology:

Defining the timeline; HNW clients are seeking for something more, and the millennials are even further distrusting of the "institution" of money, it does create a unique conundrum facing financial advisors at the cusp of this massive demographic change. Going digital is the natural

selection; for advisor's refusing cloud based technologies, or digressing on technology decisions, your practice will face greater hurdles of appealing to the next generation. Certainly, for advisors content with their existing book of business, these concerns mean little. But, we are speaking to the advisors thinking about the next 10 years, and considering the meaning of their own legacy; what will they leave behind to define their life's work?

Going digital does not mean diverting all free cash flows into consumer portal technology and buying solutions in bulk with no rhyme or reason; going digital means finding your own niche offering and what makes you "special", then finding the technology tools to augment and automate the work.

CRM, in our view, is the bedrock and the starting point. Niche offerings have their place for the price conscious, but have no relevancy for the ambitious financial advisor who is adept and seeks to leave a lasting legacy.

Let's talk:

Let's talk scale and tailored advice. How do you build a technology that will help you scale your approach of giving individualized time to every household/family within your book of business and prospective clients?

We might have something to showcase. Let's see what we have and if we don't have it, we might just build it for you.

Sincerely,
The AppCrown Team

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