THE**WEALTH**MOSAIC

The Digital Marketplace for Wealth Management

WEALTHTECH 2024

ANNUAL REPORT

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WELCOME TO WEALTHTECH 2024

Our annual scene setter for the year ahead, WealthTech 2024, highlights key themes relevant to wealth management and the positive impact that technology can have on change in the year ahead.

As we begin a new year, the wealth management industry finds itself in the middle of a period of unprecedented change. The need to respond to heightened service expectations remains and, in addition, adapting to the changing needs of the next generation, being able to deliver on digitisation, attracting and retaining talent, forging a successful growth strategy, keeping costs under control, and delivering on productivity goals - are just some of the many challenges that wealth managers the world over continue to face.

And if all that were not enough, the world finds itself in the midst of a new era of geopolitical instability and crises of humanitarian, environmental, and political natures. The business impact as far as the wealth management sector is concerned is significant The need to provide real value to clients when markets are volatile and when performance in terms of investment figures is far from assured. The result is an industry that must look to further define how to deliver on value, how to best serve different segments in terms of the proposition on offer (as well as its delivery) and, in doing so, sustain and grow the business.

These factors heighten the pressure on budgets and the ability to spend. The good news is that these challenges are all ones that technology can positively impact - if leveraged well, implemented appropriately, and delivered as a core component of a clear business strategy.

Indeed, technology holds the key to address many of these challenges. It makes a positive impact on the bottom line as it creates efficiency and affects productivity levels in all areas – be this the delivery of cost savings or growth. What is certain is that technology's impact, in the right context, will be a positive one.

Technology makes a positive impact on the bottom line as it creates efficiency and affects productivity levels in all areas - be this the delivery of cost savings or growth. What is certain is that its impact, in the right context, will be a positive one.

In particular, without digital technology and the capability for hybrid-service delivery (think infrastructural characteristics such as Cloud and SaaS), it is far harder to deliver the changes required. Without technology to provide automation and efficiencies, an adviser's time cannot be freed up to allow them to focus on growth - building deeper client relationships and retaining existing customers, increasing share of wallet, and attracting new ones. Technology should be an enabler of growth.

However, the outlook is far from bleak, with those wealth managers able to successfully navigate this period of change set to do well.

In this report we take a closer look at some key industry issues; values-based investing, catering to the next generation, accessing private markets, and retirement planning. We also look at some of the challenges - and opportunities - ahead, such as leveraging Generative AI, having a robust marketing plan, attracting the right people, and for vendors, the importance of standing out from the crowd.





What is now becoming broadly accepted is that no wealth manager can stand alone, and future success needs to be based on a strong foundation made up of many parts; ecosystems, collaboration and integration are the way forward. At the business level, a clear strategy and strong leadership will provide the guidance and processes needed to bring these elements together for best client, adviser and business impact.

This is how wealth managers will deliver on their current challenges, meet their goals, and ensure future success and longevity.

By exploring some of the main themes we see in the market, and describing the impact that technology can have on moving those thematic issues into actionable insights and strategy, we aim to capture a snapshot of the wealth management community as it stands today and what it is facing through 2024.

Thus the purpose of WealthTech 2024 is to identify some of the issues and developments that are top of mind for wealth managers, and then seek to explore how the burgeoning WealthTech community can help to drive wealth managers forward, tackle key challenges, open up routes to realise the opportunities that abound, and prepare the industry for future success. We hope you enjoy this report, thank you!

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DATA INSIGHTS

What can data tell us about what is happening across the wealth management sector and where technology is best placed to deliver value?

Wealth, AUM, and markets

The lifeblood of the sector, clients, experienced a harsh economic environment in 2022. According to the most recent World Wealth Report from Capgemini which focuses on the global high-net-worth (HNW) population, 2022 saw the largest drop in both the total number of HNWs and overall wealth in the last decade, dropping by 3.6% and 3.3% respectively.

Accordingly, assets under management (AUM) also declined. According to PwC, global AUM fell to US$115.1 trillion in 2022, the largest fall in a decade. This puts further pressure on industry indicators with fee income already having dropped by 17% between 2015 and 2022, and pre-tax profit margins declining by just over 12% between 2020 and 2022, according to BCG.

Rebound and growth

But the good news, according to PwC, is that markets are set to rebound, projected to reach US$147.3 trillion by 2027, representing a compound annual growth rate of 5%. This will be most pronounced in Asia, emerging markets in Africa, and the Middle East. The projected growth rate in Asia-Pacific will be roughly 50% higher than in North America by 2027.

This means that global wealth managers will be looking to those markets for new client acquisition and growth, while they also fight to retain existing assets, and acquire as many new ones in the US and Europe – and thus retain their share of those markets even if growth levels are not as promising.

Consolidation

A theme that we see across markets, but particularly in traditional geographies like the US and UK, is wealth manager consolidation. As the costs and challenges of doing business rise, so consolidation has become an ongoing and core market theme. According to PwC's study, 73% of asset managers are considering a strategic consolidation with another asset manager, 16% of asset and wealth managers globally are expected to be swallowed up or fall by the wayside by 2027, and the top ten largest asset managers are expected to control around half of mutual fund assets globally by 2027, up from 42.5% in 2020.

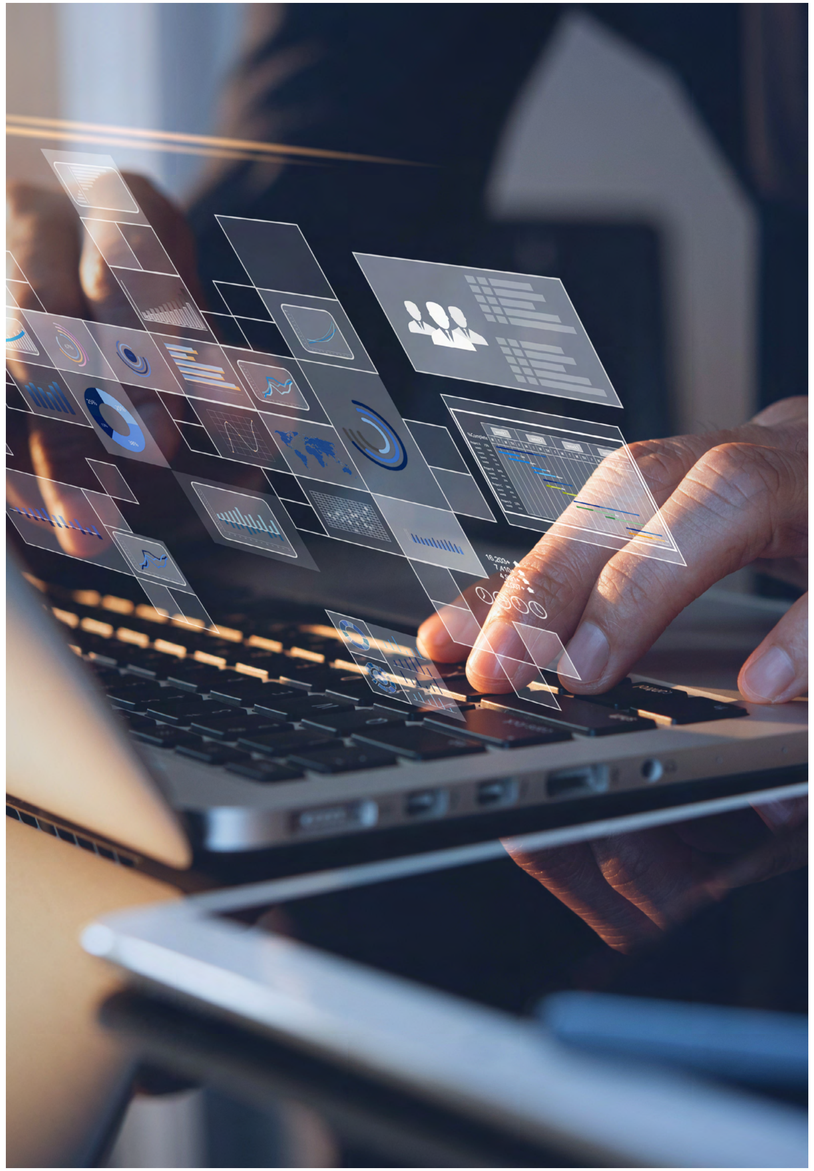


Products and loyalty

To deliver on their growth aspirations, wealth managers need to offer the right product and service mix and deliver this in the right way. While the EY study says that 85% of clients are satisfied with their level of access to products, there is room to improve and a revitalised investment offering is a mechanism to support potential additional growth.

Indeed, with markets currently so volatile and returns in public markets being harder to come by in an inflationary environment, wealthy investors are increasingly showing up in private markets. PwC says private markets will account for up to half of wealth manager revenues by 2027, up from 37.6% in 2020. And BCG says alternatives accounted for US$20 trillion, more than one fifth of total global AUM in 2022. Investments of passion are also seeing inward flows. Knight Frank's Luxury Investment Index (KFLII), which tracks the value of 10 investments of passion, rose by a healthy 16% through 2022. Art was the top performer, rising in value by 29%.

Also firmly on the agenda according to various research pieces, is ESG. According to Capgemini, 64% of HNW investors ask for an ESG score before investing in a fund.



Technology for service satisfaction

Another is leveraging technology to make managing data, processes, and service delivery as seamless and smooth as possible. Another key consideration is more than 90% of asset managers are already using disruptive technology like AI, Big Data, and Blockchain, according to PwC. A digital offering is particularly important in the respect of service delivery, with over 40% of people in a survey by EY identifying virtual consultations as their preferred advice channel in 2022. The same survey said that 32% of Millennials see a strong digital offering as important when selecting a wealth management provider, and that Millennials are more likely (59%) than average (40%) to seek a wealth manager that continuously improves its digital platforms with feature enhancements.

Technology, therefore, whether through investment into a new capability or driven by a requirement to satisfy clients, requires significant and ongoing investment.

All in all, the industry is in a period of flux. But rather than hunkering down and waiting for the storm to pass, wealthy managers need to work on their product, their proposition, and the space they occupy in the market to position themselves optimally for the future.

DATA INSIGHTS INFOGRAPHIC

What can data tell us about what is happening across the wealth management sector and where technology is best placed to deliver value?

MARKET SIZE

$115tn

AUM

Global AUM fell to US$115.1 trillion in 2022.

PwC

>5%

CAGR

AUM are set to rebound by 2027, reaching US$147.3 trillion – a compound annual growth rate of 5%.

PwC

AUM

GROWTH

Asia-Pacific, along with emerging markets in Africa and the Middle East, will set the pace of growth in AUM.

PwC

50%

APAC

Growth rates in Asia-Pacific will be roughly 50% higher than in North America by 2027.

PwC

SEGMENTATION

<5%

UHNWIs

The number of ultra-high-net-worth-individuals (UHNWIs) declined by 5% in 2022.

Altrata

<3.3%

HNWIs

The global HNWI population dropped by 3.3% in 2022.

Capgemini

REDUCED PROFITS

<12%

PROFIT

The pre-tax profit margins of wealth management firms declined by over 12% between 2020 and 2022.

BCG

<17%

INCOME

Fee income of asset managers has dropped by 17% between 2015 and 2022.

BCG

DATA INSIGHTS INFOGRAPHIC

CONSOLIDATION



CONSOLIDATION

73% of asset managers are considering a strategic consolidation with another asset manager.

PwC



SIZE MATTERS

The top ten largest asset managers to control around half of mutual fund assets globally by 2027, up from 42.5% in 2020.

PwC



CONSOLIDATION

16% of asset and wealth managers globally are expected to be swallowed up or fall by the wayside by 2027.

PwC

TECHNOLOGY USE



DIGITISATION

More than 90% of asset managers are already using disruptive tech like AI, Big Data, and Blockchain.

PwC



VIRTUAL ADVICE

Over 40% of people identified virtual consultations as their preferred advice channel in 2022.

EY



DIGITAL OFFERING

32% of Millennials see a strong digital offering as important when selecting a wealth management provider.

EY

LOYALTY



MILLENNIALS

Millennials are more likely (59%) than average (40%) to seek a wealth manager that continuously improves its digital platforms with feature enhancements.

EY



LOYALTY

Millennials are more than twice as likely (73%) than Boomers (29%) to switch between providers, move assets between firms or begin working with new wealth managers.

EY

DATA INSIGHTS INFOGRAPHIC

INVESTMENTS



PRODUCTS

85% of clients are satisfied with their level of access to products.

EY



ESG

64% of HNW investors ask for an ESG score before investing in a fund.

Capgemini



PASSION

Investments of passion rose by 16% during 2022.

KFLII



ART

Art was the top performer in 2022, rising by 29%.

KFLII



CARS

Cars saw a rise of 25% in 2022.

KFLII



WATCHES

Watches saw a rise of 18% in 2022.

KFLII

PRIVATE MARKETS



ALTERNATIVE ASSETS

Alternative assets, at US$20 trillion, accounted for more than one-fifth of the total global AUM in 2022.

BCG



PRIVATE MARKETS

Private markets account for up to half of revenues by 2027, up from 37.6% in 2020.

PwC

3.1 THE WEALTH MANAGEMENT OFFERING

THE OPPORTUNITIES AFFORDED BY AI ARE MANY, BUT EXPLAINABILITY MAY WELL BE THE KEY TO UPTAKE

Roger Portnoy, Chief Strategy Officer at Objectway, runs through use cases of AI and explains how explainability works.

Banks, wealth, and asset managers alike are rapidly recognising AI as likely to become one of the most strategically essential technologies for the wealth management industry to leverage. Its potential to improve profitability and the client experience is irresistible. However, it appears that it is still difficult for many players to operationalise AI effectively, and therefore, monetising the benefits of AI remains a challenge.

The general willingness to invest in AI tools is high. We think that around 80% of banks have already invested in AI and even plan to increase their spending on it over the next two years.

One key reason for this willingness to invest is the opportunity to drive operational efficiencies, improved client outcomes and cost savings, all of which can be realised as a result of the effective use of AI. We think that around 70% of decision-makers for data and analytics technology are already using AI to improve the efficiency of IT and business operations.

Middle and back office

The obvious areas to achieve such efficiencies are within the middle and back office. Robotic process automation and intelligent process design in back-office systems have already made for significant efficiency gains. Rapid improvements in the scope and accuracy of computer vision (advanced OCR), as well as NLP techniques to properly label, classify, and assimilate into business processes more complex alphanumeric data sets within unstructured document types, are now opening up further opportunities toward hyper-automation too.

This sits well with the need for change. In particular, help is needed when middle- and back-office staff face challenges to

"As interest in AI has exploded, developing robust and auditable methods to address explainability has emerged as a concern. Wealth managers need to be able to explain and document how an AI algorithm works for both regulators and clients alike."

Roger Portnoy
Chief Strategy Officer
Objectway

maintain data integrity and consistency within a key business process. They are often required to escalate issues relating to exception handling.

Specifically, the suitability process, and supporting accurate and compliant product governance, are increasingly important aspects of the way that clients are able to receive and maintain personalised portfolios from the front office and, thereby, secure access to the best investment recommendations from their relationship managers.

In these situations, the ideal scenario for the middle-and-back-office operations is to ingest, reconcile and process additional information. However, since this information is often embedded into other documents, consistent and scalable processing capability has not been available. By deploying computer vision and NLP to read and extract available data, the opportunity to greatly improve the alignment of suitability with product governance presents itself, driving both compliance as well as business gains.

This same combination of technologies, it turns out, can also be trained, and deployed to facilitate much more interoperability between systems, particularly when there is the need, within a business process, for both data translation and data normalisation to a specific target protocol. This means extending data management capabilities into more and more unstructured data scenarios without having to force different actors into using a specific and often limiting data template.

Enhance the adviser - use of Generative AI

To this end, AI can also be used to harness unstructured data in a front-office data management scenario to support the adviser in maintaining the personal relationship with the support of digital technologies. This will become more important as younger, digitally-savvy investors come into intergenerational wealth or create it themselves.

Indeed, very few wealth managers have had the discipline in their overall lifecycle management process to turn disparate bits of data from an informational repository to a reusable knowledge asset. As a result, while the landscape is littered with many snippets of insight and value, cohesion is lacking when trying to build a holistic picture that can provide both perspective and predictive capabilities.

However, digital technologies, above all Generative AI and its ability to make sense of disparate data sets, can strengthen the role of the adviser and offer support in decision-making processes, in the innovation of the offer, and in the personalisation of the relationship.

Better portfolio management through the use of AI

AI also affords an opportunity to maximise portfolio returns and, therefore, increase customer satisfaction. Indeed, many AI models are currently being researched to help construct better portfolios, particularly regarding factors and themes. New quantitative models for alpha generation also play a role. The aim is to achieve better results than the market and to process unstructured data.

AI explainability is key

However, as interest and investigation into the many new use cases for AI has exploded, the underlying need for explainability has emerged as a concern. Wealth managers need to be able to explain and document how an investment decision or recommendation was reached, to maintain compliance with both regulations and client expectations.

Indeed, although AI is becoming increasingly popular, many companies are still grappling with challenges related to data privacy, embedded bias, and the transparency afforded through AI models. Wealth managers also view the risk of AI tools providing inaccurate and tainted investment advice to their customers as too great. In response, they need to invest in explainable AI systems that can continually demonstrate that the recommendations provided by AI are always in the best interest of their client.

Explainability is not ultimately geared toward being right or wrong; it is not about determining the outcome, but about the rationale for reaching it. This is why complexity is the enemy of explainability and why deep-learning models are far more challenging to diagnose than other types purely based on measurable statistical calculations.

There are two ways to look at this. Firstly, explainability is linked to process, being able to unpack and audit the process and how it was designed to get the desired outcomes.

Any framework must also include rollback procedures so human supervisors can clearly separate and look at different decision points. They should also be able to see the impact of change on any of the decision points and any data-led biases emerging at any stage of the overall process.

The rapid pace of development suggests that software solutions designed for articulating, setting up, and managing frameworks will likely integrate into AI operating systems or become integral to enterprise risk management in the near future.

The second approach looks at attribution, sensitivity, and contribution of factor inputs. This can be particularly useful to accurately predict client behaviour in wealth management and help with customer retention; something that is critical to business success.

To that end, we have developed an innovative customer churn prediction system through our long-standing collaboration with the University of Bari which is at the forefront in the field of studying and applying AI models to real business use cases.

The system is based on Machine Learning (ML) models which can accurately predict churn by analysing complex patterns in large datasets. This system also applies the concept of Shapley Additive Explanations (SHAP). This is a cutting-edge, model-independent method that provides explanations for the output of any ML model. The computation of SHAP values makes it possible to quantify the contribution of each function to the prediction, thus illustrating the explanations of the model.

The importance of this approach becomes apparent when considering the impact on advisers, who can illustrate exactly why the system believes a particular client might leave the financial institution. This knowledge is invaluable for client retention and servicing.

Explanatory models for AI-based customer churn prediction have to be continuously tested and optimised. Even though current AI systems offer many benefits, their effectiveness is limited by a lack of explainability when interacting with people.

Accordingly, users require a new generation of explainable AI systems that are expected to naturally interact with them, by providing comprehensible explanations of decisions automatically made.

Adopting this approach will go a long way to curb the risk of reputational and regulatory damage without compromising positive business outcomes, enhanced operational performance, and an improved overall client experience.



OBJECTWAY
BUILD FOR THE FUTURE, PERFORM TODAY

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Chief Strategy Officer

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CATERING TO THE MASS AFFLUENT – WHY TECHNOLOGY IS ONLY A PART OF THE SOLUTION

Alison Ebbage, Editor-in-Chief at The Wealth Mosaic, talks to Ben Covey, Managing Director, Private Clients, at 7IM. He argues that those in the process of building and acquiring wealth are very much in need of personalised advice and planning, and should not be left entirely in the realms of self service.

The mass affluent and how best to serve them has long since been a perplexing challenge for the banking industry as a whole. Not quite into the wealth levels required to be profitable for private banks and wealth managers, and yet above the average offering of a retail bank, this segment can become woefully underserved.

This has been augmented, in the UK at least, by the advice gap created by the Retail Distribution Review (RDR), and the move to an advice-based business model as opposed to a commission-based one. The RDR was later transported to continental Europe in the form of MiFID II. The result was a large swathe of the population that could not, or did not want to, pay for advice and yet had investible assets.

Covey says: "There is a huge need in the UK market for advice, particularly for those with between £20,000 to £500,000 to invest. I think the RDR, which came into play in 2012, immediately created an advice gap because it was not commercially viable for many firms to service clients at the lower end of the wealth spectrum. That is something that the banks and wealth managers are all grappling with and the more they can find ways to service such clients efficiently and in a cost-centric way, then the more success there will be in closing the gap."

Theoretically, the advances in technology that dovetailed with the emergence of the advice gap should have solved the issue. Robo advisers were once touted as the solve-all solution for those with money to invest but not able or willing to pay

"Wealth managers, most of whom are looking for growth, need to find cost-efficient ways to engage with the mass affluent client with the idea of capturing them in the wealth creation journey and then moving them into the full-service private banking or asset management offerings once assets grow sufficiently."

Ben Covey
Managing Director,
Private Clients
7IM

for advice. While Robos are a partial solution they only plug the investment gap and still leave people without proper financial planning that takes into account the whole of life, and incorporates goals and things like pensions and inheritance.

So, although Robo-type technology has made a start in catering to the mass affluent it has not totally resolved the issue. Meanwhile, wealth managers, most of whom are looking for growth, need to find cost-efficient ways to engage with the mass affluent client with the idea of capturing them in the wealth creation journey and then moving them into the full-service private banking or asset management offerings once assets grow sufficiently.

Mass affluent rewards

Indeed, not catering to this massive segment looks short-sighted when the size of the segment overall is taken into consideration. Mass affluent assets accounted for some £3.8 trillion as of the end of 2022, accounting for about 67% of UK investable wealth and have liquid assets of £3 trillion. Royal London meanwhile estimates that there are approximately 13.1 million individuals in the mass affluent market in the UK, including 3.7 million who are currently non-advised but are open to receiving financial advice.

67% of total Assets Under Management (AUM) is well worth chasing and thus this segment is an obvious opportunity - not just for the traditional advisory community but also for wealth managers to leverage technology to reduce the cost to serve and to come down the value chain to service this segment.

There is also another clear case for appealing to the younger generation. With the ‘Great Wealth Transfer’, a 66% increase in annual intergenerational wealth transfers will occur, rising from £69 billion to £115 billion from 2017 to 2027. Some 5.5 trillion will pass between generations within the next 30 years, according to the Kings Court Trust.

Covey comments: “The big universal banks in the UK like to have private banking and wealth management arms because of the diversification of revenue that the private bank business will bring because of fees and annuity incomes. And all private banks are looking for greater share of wallet, profitability, and growth, and so the mass affluent sector is clearly an attractive segment for them.”

The challenge then, is to find a way to service this segment in a way that is both commercially viable, probably with the use of technology and some self-service, as well as providing some sort of planning that is more holistic and goals-based. The cost of service and the quality of service need to be met in the middle.

Covey says that there is no shortage of individual stock recommendations, research on what to look out for, thematic trends, and other opportunities that can be accessed online, and trading too, can be done online. But what is missing is the advice, the identification of goals, and the financial planning to realise those goals.

“What clients really want is guidance on what is realistic given their risk appetite and the amount of money they have. The conversations should revolve around the big picture. What are their aspirations? Is it retirement overseas, or is it paying for grandchildren's education? Or is it something else? Whatever the big picture is an investment plan to fit can be built.”

He also argues that in the context of big-picture planning, too much access to technology can be a bad thing. For example, if someone is logging on to see market movements on a daily basis then they are likely to be hypervigilant and triggered by small amounts of volatility that have no bearing on the result over the long term.

He says: “The key message is to take the long-term view. Do not worry about short-term market volatility and look at things over five years or longer, do not panic when you see market swings and therefore, the less you look at it, the better, in fact!”

Modelling a client’s cash flows and asset accumulation will help set foundations for longer-term planning. Coupled with a holistic understanding of a client's financial requirements the right investment plans can be made utilising tax-efficient solutions, long-term investment and pensions planning.

Indeed, technology can assist the adviser in providing all of that and thus provide a cost-efficient model to serve. It will not be as cheap as a self-directed, and self-service model, but the value in doing this is over the long term, and that is where the ambitions of banks and wealth managers lie, in growth via client acquisition and retention.

“Although technology is great, it is not the be-all and end-all and it all relies on having the right advice in the first place. If the technology can mitigate the cost of its delivery, then that is a force for good and something banks and wealth managers would do well to embrace,” he concludes.



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‘INVESTING FOR GOOD’ – TACKLING THE WHOLE SPECTRUM OF CAPITAL

Customers want advisers to be knowledgeable and be able to steer them in the right direction when it comes to ‘investing for good’. John Pepin, Chief Executive at Philanthropy Impact, talks to Alison Ebbage, Editor-in-Chief at The Wealth Mosaic.

Green investments, SRI, ESG, values-based investment, impact investing, social enterprise, philanthropy; the list goes on. Confused? So are many wealthy individuals and families wanting to make a difference with their capital and looking to their advisers for help.

Indeed, the range of options for philanthropy and investments that either avoid something, like tobacco, or actively seek to encourage something, like social enterprise, has expanded massively in recent years. Gone are the days when wealthy individuals and families simply donated money to their chosen causes. Today’s wealthy want to be able to not just donate to achieve a societal return but also invest for good, living their values through impact investing. They expect to see their money put to work appropriately with some measurables and reporting in place when it comes to impact. Indeed performance can be measured in many different ways, and value does not always have to be financial.

UBS concurs. Its recent report, ‘Top five trends in philanthropy in 2023’, says: “We are seeing philanthropists put their values, investments, and businesses to work for impact, pursuing opportunities to make their giving go further. Traditional investors are becoming more interested in investing in commercially-viable social enterprises. But there is a recognition that more support is needed to help emerging social enterprises become investable. Philanthropists are jumping in to fill this gap by using their philanthropic giving to de-risk financing and catalyse other forms of private investment capital.”

“People are starting to terminate their relationships with their advisers because they see that they just do not have the skills or the capacity to meet expectations.”

John Pepin
Chief Executive
Philanthropy Impact

John Pepin, Chief Executive at Philanthropy Impact, comments: “It is really important to recognise that we are operating at the intersection between philanthropy, social investment, ESG and impact investing. Professional advisers need to be able to cover the whole spectrum of capital to meet the changing needs of their clients and they need to be informed of the 23 services we have identified in our recent research that are needed by philanthropists and impact investors creating the structures and other links for customers to be able to invest and allocate capital across the spectrum of options.”

Indeed, demand for options is at an all-time high - particularly given wealthy Gen Z and Millennials who are more interested in investing for good than their predecessors and want to be more involved with their money – often making investment decisions at least partly based on values. Covid-19 also upped levels of social responsibility and brought about a more caring society, and issues that concern us all, such as the environment and broader ethics are causes increasingly close to the hearts of those able to invest or donate to make a difference.

Demand to diversify

In the US, for example, rich donors gave an average of US$34,917 to charity in 2022, a 19% increase from pre-pandemic levels, and 85% of high-net-worth households gave to charity in 2022, according to Philanthrophy 50.

Meanwhile, 72% of the world’s population supported others through giving, according to the Charities Aid Foundation 2023 World Giving Index.

Giving levels clearly show no sign of dropping, but what is interesting is that levels of values-based investing, social enterprises and other ‘for good’ endeavours are on the rise too - pointing to a ‘money for good’ sector that is, overall, growing.

Indeed, the 2021 Sustainable Signals study by Morgan Stanley found that interest in sustainable investing by Millennials hit a record high at 99%. In addition, 80% of investors were interested in sustainable investing, with 50% of all investors and 75% of Millennials also interested in investments related to social justice.

And the Global Impact Investing Network’s 2022 “Sizing the Impact Investing Market" report estimated the size of the total worldwide impact investing market at just under US$1.2 trillion.

Pepin comments: “The world is changing, and within the needs and expectations of wealth holders are too. People

want to align their wealth with their values. And they expect their professional advisors to provide support to achieve this."

He says that advisers need, firstly, to frame and contextualise a conversation about values, motivations, and ambitions with the customer. The second part of the conversation is to then create an action plan to create symbiosis between values and investments.

Customer expectation

"The ability to have that conversation, set a framework and articulate a strategy is so important. But it is also one area where the adviser community is felt to be failing its customers." he says.

This is important in an era where expectations are high and loyalty levels, particularly from those who have created their own wealth or have newly inherited wealth, are low.

"In some cases, people are starting to terminate their relationships with their advisers because they see that they are not meeting their expectations - it becomes an irretractable issue. In many firms, there is a lack of clear strategy and services and knowledge and credibility around some of these issues," says Pepin.

Framework

The recent research by Philanthropy Impact acknowledged the change in attitude and expectation and developed a framework for action. This is highly relevant for advisers in itself but also in that is strongly relates to Consumer Duty and customer centricity. Wealth managers now have to be demonstrably customer centric and show how best outcomes were achieved for the customer. To do that properly advisers have to be able to talk to people about their values, motivations, ambitions and personal goals, and then project that forward into action via investment or giving.

"To propel things, the adviser needs to have an ecosystem in place and partner with the right people. Having the whole gambit of expertise in house is an impossible ask, so firms will have to learn to work with other firms to best meet customer need," says Pepin.

He explains that to that end, Philanthropy Impact has established a new service called 23 Impact, which is a directory of resources across the spectrum of capital to assist with this.

He says that the adviser must now look upon this as an entire journey, much like the demand to accompany the client through their whole lifecycle concerning other investments is now commonplace. Clients want a trusted adviser to walk the walk with.

However, he says this relies on the adviser knowing that the purpose of the 'investment' is not necessarily financial returns and having a good understanding of the other returns that the customer seeks.

The UBS report says of returns: "Financial tools like impact loans, outcomes contracts (or impact bonds) and blended finance are blurring the borders between investment and philanthropy. We will continue to see an expansion of this openness to a broader spectrum of capital and a wider range of financial tools that can be used for different contexts and problems."

Pepin concludes: "In some cases, firms still do not have these discussions. Many firms often depend upon informal internal discussions, however, we provide specialised training and support as well as the ecosystem to put into place a set of guidelines and an action plan."

He points out that the other thing to keep in mind is that by doing this, the advisers could miss a commercial opportunity. Indeed, the research suggests that firms supporting their clients on their philanthropic journey and encouraging them in their ESG/impact investment have six times the median assets of those who do not offer charitable planning, three times organic growth, 1.3 times new inflows, higher net promoter scores, and higher trust levels.

"In a world where loyalty levels are low and the quest to keep clients and attract new ones, then it makes sense to meet and exceed all expectations, not just investment ones," he says.



Philanthropy Impact
Inspiring Philanthropy and Investing for Impact

John Pepin

Chief Executive

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THE RETIREMENT GAP - AN OPPORTUNITY FOR WEALTH MANAGERS TO STEP IN

Christopher Baxter, Senior Solutions Consultant at aixigo, argues that cashflow planning for retirement should be ongoing, not a yearly review.

In the next few years, global retirement systems are set to come up against some significant challenges, likened by the World Economic Forum (WEF) to 'the financial equivalent of climate change'. Indeed, as life expectancies rise and birth rates decline, limited access to pensions, coupled with inadequate financial literacy have left individuals ill-prepared for retirement. The WEF says the global pension gap, anticipated to grow by 5% annually, is projected to reach an astronomical US$400 trillion by 2050. Within the UK, the WEF estimates a staggering escalation of the pension savings gap from £6 trillion to £25 trillion by 2050.

In the UK, for example, the government is trying to mitigate this gap - with the retirement age due to rise to 68 in 2039 - by increasing participation levels in auto-enrollment schemes. But this alone is not enough. In fact, the Institute for Fiscal Studies (IFS) says almost a fifth of working-age private sector employees (around 3.5 million people) do not save into their pension each year. This is particularly true of low earners who are below the threshold for automatic enrolment. Perhaps more concerning, is that most of those participating in a pension save low amounts. 61% of the middle-earning private sector employees who are contributing to a pension are saving less than 8% of their earnings, and 87% are saving less than the 15% which would be more in line with what Lord Turner's Pensions Commission thought appropriate.

Research from the Phoenix Insights Longer Lives Index data suggests that only 14% of those who are saving are on track for the retirement that they want, and 33% of those who think they are on track will face a shortfall of £100,000. This shows that

"Wealth managers are uniquely positioned to not only support their clients but also ensure a robust plan is in place. Plans are not static destinations; they are dynamic routes that may encounter obstacles."

Christopher Baxter
Senior Solutions Consultant
aixigo

there is a lack of transparency, even for those who are saving for retirement, meaning many are at risk of not saving adequately for the future despite believing this to be the case.

Therefore, we find ourselves in a situation where the majority of consumers are either not saving enough for their retirement or, in the worst case, not saving at all. Furthermore, many parents have further goals for their money in retirement. They want to support their children whether that be with the ever-increasing costs of further education or property, but the costs of retirement itself are making this increasingly difficult.

Supporting clients

So how can wealth managers support their clients and, indeed, help them thrive? Providing a service that not only addresses but also anticipates these challenges, cultivating loyalty among clients and creating avenues for cross-selling opportunities. Drawing on our market experience, we delineate key focal points for wealth managers confronting the pensions gap.

Holistic planning

Across Europe, there is a discernible shift away from conventional investment advice. The emphasis now extends beyond mere financial investments to encompass the client's entire life and financial aspirations. In Germany, for instance, research from the Association of German Banks reveals that 45% of respondents fear a financially precarious retirement, with 64% expecting a significant decline in available funds. Clients seek more than investment advice; they crave answers to pivotal life questions such as, ‘When can I retire?’, or ‘How much must I save for a comfortable retirement?’

The right tools for the job

Wealth managers need to support their clients in making informed decisions about their finances with a view to the future. The pension forecast of their clients needs to be regularly reviewed to make sure they are on track to reach their goals. In this way, if there is for example a shortfall it can be detected quickly and will give the wealth manager time to make changes to the client’s financial plan. But in order to do this, wealth managers need to be kitted out with the right tools.

Indeed, retirement planning is complex, as shown by the IFS, those retiring with defined contribution pension pots face considerable difficulty and risk in managing their finances through retirement. The rising prevalence of defined contribution pensions, combined with pension freedoms, means that many will be able to draw their pension flexibly through their retirement. But decisions around how to draw down pension

wealth are high-stakes and will need to be made with care. Current IFS models show that a man aged 66 is expected to live for a further 19 years, but 13% can expect to survive until age 95; while 66-year-old women are expected to live for a further 21 years with 20% making it to age 95. There are risks of running out of private resources or of being so cautious as to end up suffering a needlessly austere retirement.

A tool to support wealth managers is cashflow planning, which can simulate a client's life, helping the client and the wealth manager make informed decisions. Yet cashflow alone is not enough, a lot of planning tools currently create a plan which is a snapshot of that moment in time. These tools need to be coupled with monitoring solutions to make sure a client is on track to reach their goals. Whether these are to have enough money to enjoy retirement comfortably or further goals, such as supporting their children to get onto the property ladder. If such a goal is at risk, the adviser can step in and see what can be done to alleviate the problem.

Advice-as-a-Service

Thus, wealth managers need to look towards an Advice-as-a-Service (AaaS) model. A model in which a client has an annual review no longer works, but a system which is constantly monitoring their position and alerts them when there is a need for action, would give the client peace of mind that if something needs addressing it can be looked at right away, as opposed to waiting for their next annual review.

The pension gap is an enduring challenge set to intensify, but wealth managers are uniquely positioned to not only support their clients but also ensure a robust plan is in place. Plans are not static destinations; they are dynamic routes that may encounter obstacles. Armed with the right tools, wealth managers can navigate these challenges, making informed decisions to alter course and ensure the journey culminates in the desired destination.



aixigo
Driving the New Wealth Experience.

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BEYOND THE NOISE OF GENERIC PLATFORMS – THE GOLDEN SOURCE OF TRUTH

Grayson Greer, Managing Director, Global, and Emily Traxler, Managing Director, Data Services, at First Rate, talked to Alison Ebbage, Editor-in-Chief at The Wealth Mosaic, about breaking data aggregation down into parts.

An aggregated client view that is visually pleasing, easy to understand, and contains usable data is much in demand from clients and advisers alike. Achieving that is, however, no mean feat.

"Wealth aggregation platforms should offer a comprehensive overview of an organisation's or individual's financial position by consolidating data from multiple banks and investment managers. The adoption rate for these platforms remains low, but we think adoption will increase in particular with family offices," says Emily Traxler, Managing Director, Data Services, at First Rate.

She continues: "The most effective wealth aggregation platforms are flexible enough to accommodate the unique characteristics of various asset classes, such as the redemption cycle of debt securities, the capital call structure of private equity, and lifestyle assets such as art or cars."

Indeed, at its core, a platform is just a combination of capabilities that contribute to the end output. But the all-in-one approach previously adopted by many platforms, will not work in an industry with so much diversity in terms of client base and operational setup.

A one-size-fits-all approach also does not generally offer quality configuration or lean towards integrating well with other software solutions. Thus, a mixed user experience that pleases some users some of the time with an all-in-one platform seems inevitable.

Grayson Greer, Managing Director, Global, at First Rate, thinks that many firms are approaching aggregation the wrong way; instead of looking to use a single platform, they should instead

"In the aggregation arena, the end result should be creating a single source of truth by pulling in data and other information and then making it available in a unified and sensical way to the internal systems that need it, such as the book of record, the compliance department."

Emily Traxler
Managing Director
Data Services
First Rate

take an ecosystem best-of-breed approach to get the very best output from each stage of the data aggregation process - and then come together on a platform - for a truly integrated single-client view.

“When I think of platforms, I think of these big behemoths that quickly become unwieldy. I do not think they solve anything; in the main, I think an integrated approach where all providers focus on what they are good at and are orchestrated in such a way as to be well integrated and make a good ‘whole’ can be more effective than a single platform that is pretty average all round.”

Traxler goes on to say that the job of the platform should, essentially, be more about accommodating a good range of third-party software solutions.

“In the aggregation arena, the end result should be able to create a single source of truth by pulling in data and other information and then making it available in a unified and sensical way to the internal systems that need it, such as the book of record, the compliance department etc... I think that most platform providers over promise and under deliver on that.”

This is an issue given the volume and complexity of data that most wealth managers are dealing with daily. And, in addition to volume, assets are held in so many different places, in different ways, and in different formats, making life even harder when it comes to pulling together a consolidated view.

“What you end up with is a bunch of different narratives, making it hard to say with absolute certainty whether the end result is a single source of truth or the best attempt at a single source of truth. So, on the downstream side of that, and whether it is going into reporting, enhanced analytics; no matter where the end destination is, can you ever count on the data being 100% correct? And in our experience? No, you can't,” says Greer.

Component parts

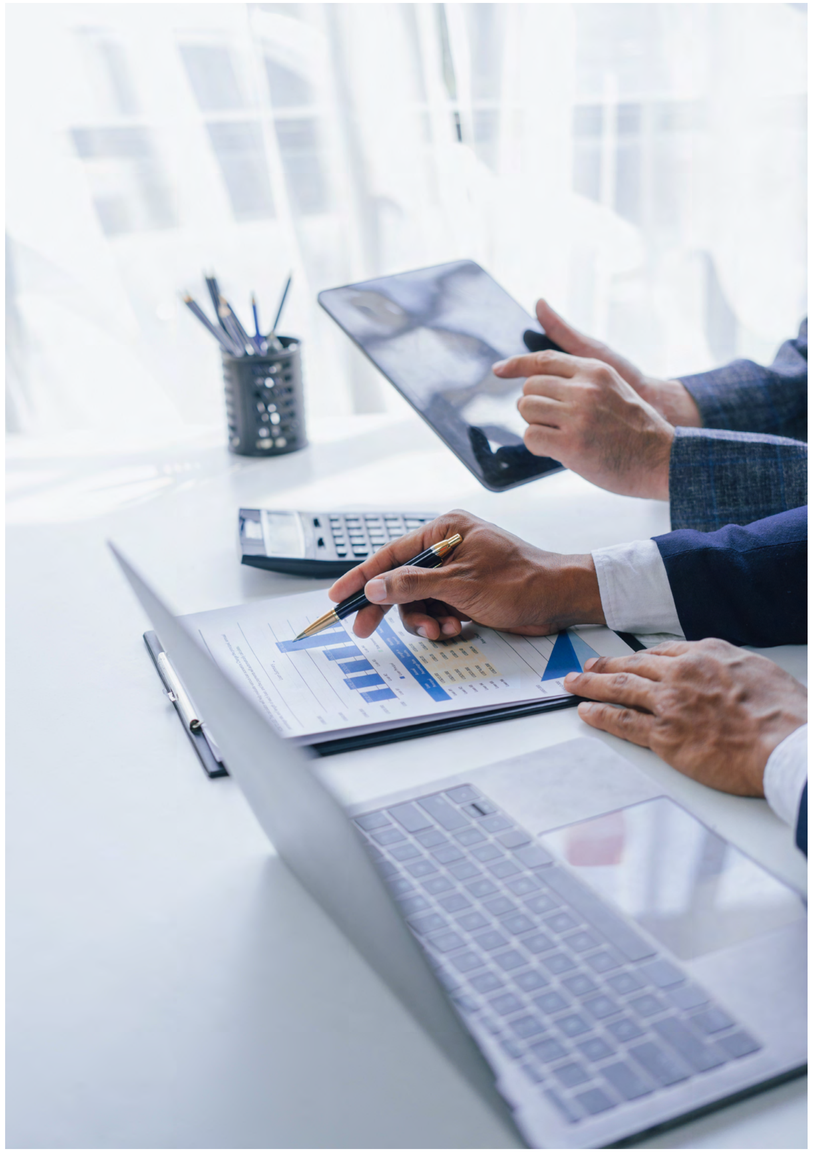
Indeed, if data aggregation is defined as having data acquisition, normalisation, reconciliation, and transformation; all four elements must work together to reach that single view.

If one of those components is missing or not done well, then the resulting data aggregation piece will be substandard. Data acquisition is just getting the data into one place. The normalisation piece is that you may have alternative assets, equity assets, and other assets, and they all have different attributes and fields that need to be unified.

"Once normalisation is achieved, you could still have issues with the data actually being reconciled, which means you could have two or three data sources for the same asset. Then comes data transformation, which is about creating something with a tangible outcome for users – something they can actually understand and use. It is a far from straightforward process," says Greer.

Indeed, firms should think about the desired end result and the components that lead to that. According to Greer, the average platform is built with probably one or a couple of specific use cases in mind. "When you start digging into the unique set-up that the organisation has and their unique use cases, then the platform falls down."

At that point, he says that large private banks throw resources at the platform to try and make it fit for purpose and that smaller firms, RIAs and family offices struggle as they do not have the resources to devote to the issue. "The problem is that the platform is not fit for purpose, so the problem is pretty much unsolvable. A new approach of finding the right people with domain expertise in each of the component parts that can come together on a well-orchestrated platform is what is needed," he says.



Use cases

Asset managers have very manual and time-consuming processes to consume and validate alternative investment information from a bank's internal oversight and external fund managers. Quarterly documents can reach over 25,000 in number. But automating the monthly statement-gathering process, reconciling documents, and providing the asset manager with a back-office dashboard for internal review before it feeds data into downstream systems resolves these issues. Additionally, it provides an adviser-reporting portal from these statements.

Family offices often cannot trust the data they are receiving as part of an all-in-one solution. There are numerous errors in the data normalisation and reconciliation processes, making downstream analysis and insight impossible without manual intervention. By sourcing, validating and reconciling all data fields, data can then be accurately extracted by the family office.

Private banks struggle to provide timely performance and reporting capabilities to their entire book of business because of disparate technology solutions. Harnessing digital data feeds directly to custodians that pull all account information, handle daily data calculations according to client specifications, and normalise all data files into specific outputs for consumption into IBOR makes for a streamlined approach using one system as opposed to three.

> *"Beyond the noise of generic platforms, lies trusted expertise, capabilities, and solutions that deliver tangible outcomes. The firms that embrace this reality are the ones that will leapfrog the competition over the next decade."*
>
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> Managing Director, Global
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3.2
THE BUSINESS STRATEGY

GENERATIVE AI – THE CASE FOR ADOPTION

Rav Hayer, Senior Adviser and Alvarez & Marsal, talks to Alison Ebbage, Editor-in-Chief at The Wealth Mosaic, about the areas where Generative AI can bring positive change, but that its success relies on robust data and risk management to be optimised.

Generative Artificial Intelligence (AI) takes the capabilities of AI a step further with its ability to take in several different inputs and create something new that replicates something that a human would produce. This could be a written piece, data analysis, imaging, or video.

The result is that Generative AI can accurately replicate a human, allowing customers to interact with it the same way they do with actual people. Rav Hayer, Senior Adviser at Alvarez & Marsal, comments: "Generative AI is a game changer when it comes to the knowledge economy because it can collaborate more closely with humans to come up with an end result that could have been produced by a human, only in a much shorter time frame."

This differs from other forms of AI as the end output is entirely new, as opposed to summarising existing data, information, images, and videos.

Like other forms of AI, Generative AI depends on having vast swathes of data to work with to make sense of and learn from patterns and thus make predictions. The parameters for decision making can also be adjusted if new information comes to light or if the feedback from the algorithm is not quite right. This latter aspect is important since Generative AI is trained using unsupervised learning (where data is unlabelled, and the system is not given guidance – because the whole idea is to come up with something new).

Generative AI has spiked much interest across the industry, being highly relevant to wealth management. In basic terms, it is trained to synthesise vast amounts of abstract and unstructured data to create net new information. This is invaluable in an industry where data is consumed and created at scale and where knowledge is power. Possible use cases include supporting the middle and back office, underpinning

> *"This is all transformative at a time when clients want instant access to an up-to-date and well-prepared adviser. The result is a better connection and a more engaged and loyal client."*
>
> Rav Hayer
> Senior Adviser
> Alvarez & Marsal

the research and portfolio management process, and enhancing and personalising the customer experience.

Indeed, Generative AI has a lot to bring to the table. And it also comes at a good time. Coming out of a period of strong industry performance, the wealth management sector is facing cost and efficiency pressure. There is an increasing pressure to diversify revenues, and a need to deliver on both the offer and service to retain existing clients and capture new ones.

Hayer comments: “One of the simplest implementations of Generative AI lies in its ability to accelerate routine tasks such as compiling and updating market research, churning through data for due diligence and the like. This is driven by the capacity to process unstructured data.” He cites a potential productivity enhancement of 25% to 35%, describing its impact as ‘empowering’.

“Generative AI can help empower portfolio managers in investment research and risk analysis. It can churn through the data and analyse it, providing the facts, figures, and projections in a much more time-efficient way, so replacing the need to sort through a glut of information, summarise it, and then turn the data around,” he says.

The middle and back office are set to gain similarly. There are potential efficiency gains regarding legal, compliance, and basically any repeatable operational task where there is a clearly set out process.

Hayer comments: “Efficiency gains are what most service industries are looking towards because they free up the time, effort, and resources that can then be reallocated to higher value, revenue-generating activities to support value creation.”

Customer experience

But it is at the front end where Generative AI can most drive progression. Customer expectations have changed, and the expectation is now for a personalised service delivered over the channel of the customer’s choosing and at a time convenient to them. That leaves the adviser needing instant access to data, research and recommendations, next-best actions, and the like. Based on data and behaviour, it can make inferences to flag things like redemption risk, a worried client, or significant life changes.

For example, Generative AI summarises the discussion during conversations and automatically loads it into the customer record. It can also help prepare meetings, send notes, and provide next-best actions; or create personalised content such as newsletters, flag educational resources, or webinars.

"This is all transformative. And it comes at a time when clients want instant access to an up-to-date and well-prepared adviser, which means operational efficiency. The result is a better connection and a more engaged and loyal client, which drives potential revenue increases," says Hayer.

Prospecting

Generative AI can serve up warm leads within the prospecting process based on a myriad of data such as financial behaviour, demographics, life situation, risk appetite, investment interests, sentiment, personal interests, etc. The ability to match all that with tailored market trends, financial forecasts, and other relevant information strengthens the prospecting stage.

Risk mitigation

But Hayer thinks that taking note of risk mitigation and security issues is as important as looking at the benefits of Generative AI.

"If the algorithms and/or training data are incorrect, then the decision-making that evolves around them will also be inaccurate. Thus, we need to have robust auditability mechanisms in place to avoid compliance, reputational, and trust issues," he says.

Indeed, the risk of getting things wrong is such, that firms can be unwilling to risk placing personally identifiable data within an algorithm, lest it be wrongly analysed and used as unconscious bias against someone, or indeed, to avoid that the incorrect or irrelevant information is given out.

"Many wealth managers shy away from using personally identifiable information because it is too risky. For example, if a customer asks for their balance, you need that answer to be correct 100% of the time. Routine tasks and responding to more general knowledge questions are far less risky," Hayer says.

Data

Thus, the algorithms, instructions and guardrails must be firmly in place to better manage risk. The second piece of the risk mitigation play lies in having good data and managing it well. This is an issue for many wealth managers still holding data in disparate systems – in a scattergun fashion. Indeed, emails, virtual meetings, CRM, internal documentation, and middle- and back-office systems need to come together into a single unified data source.

"This is clearly an issue that can be solved by moving to a hybrid Cloud, and using hyper-scalability tooling to get to grips with things. The Generative AI can then sit on top and

derive actionable insight and thus unlock value for the wealth manager," says Hayer.

Another approach is to limit the algorithm's scope to draw in only verified data or from trusted third parties to form a reliable foundation to build on.

"The internet should be approached with caution. You have to be careful about where data is taken from and the rules and assumptions that can be applied to it. Auditability and data verification are central to trusting the output, says Hayer.

"The regulation supporting Generative AI has been factored into the European AI regulation, which will also help. In the UK, the regulation has been factored in on an industry-by-industry basis," he adds.

Coexistence approach

AI still has a lot of unknown risks - having the correct data, guardrails, governance, and audibility are all crucial. Hayer concludes that the optimal value derived from Generative AI lies in a coexistence approach. "It needs to work hand in glove with humans. Not many firms are willing to replace humans entirely with Generative AI. I see it more as a co-pilot that enhances human capability and allows for better synthesising, reviewing, validating, getting to a faster conclusion based on the data." He continues: "For me, the best way to adopt Generative AI is to start small and scale fast, as opposed to trying to impose it on all areas at once".

Using internal data before incorporating third-party data and then moving onto the internet, as discussed, is a good example of an incremental approach. However, the same strategy can also be used regarding the specific workflows that Generative AI will apply to.

Hayer concludes: "The whole AI discussion is constantly evolving and becoming more powerful and intelligent. It will start to move into every-day-life but but adoption needs to be driven by taking baby-steps to support cultural acceptance, which won't necessarily happen overnight."



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CONTENT MARKETING – CONSISTENCY IS CRUCIAL!

‘Starting small and being consistent wins the day’ says April Rudin, Founder of The Rudin Group.

Social and digital marketing efforts play an increasingly important role in life. They keep people aware of what you are doing, trends you have identified, reports you like, and so on - all of which keep you front of mind. But for a lot of wealth managers, particularly those at smaller firms, social and digital marketing efforts are often left on the back burner.

And there may be some good reasons for that. After all, clients generally want their advisers working on their financial plans rather than blogging. But that is not to say that completely ignoring marketing efforts is a wise move. Not only can compelling content attract new clients, but it can also be a valuable resource for existing clients.

Unfortunately, many wealth managers and financial planners, who are in the business of planning, find themselves at a loss when it comes to developing their own content strategy. They either fail to get started or they launch an ambitious effort, such as a newsletter, and fail to keep up with it. In some cases, abandoning a launched product may be worse than never getting started, because it can signal a lack of organisation and follow-through to prospects.

Just think how many times in your personal life you have been excited to follow a musician or sports team on social media only to find that their Instagram page is stagnant. That same feeling applies to business, too. Luckily, it is not too hard for wealth managers to avoid these same pitfalls.

First, your firm has to realise that if it is determined to revamp its marketing strategy, it must commit to doing it. Think of it almost like dating. Marketing efforts are not a casual first date, marketing requires continued effort and commitment. When preparing a content strategy, perhaps the most important step is to identify the audience you want to reach. Is it purely clients? Prospects, too? Other wealth professionals? Or a mix?

“Marketing efforts are not a casual first date; marketing requires continued effort and commitment. When preparing a content strategy, perhaps the most important step is to identify the audience you want to reach. Is it purely clients? Prospects, too? Other wealth professionals? Or a mix?”

April Rudin
Founder
The Rudin Group

Demographics

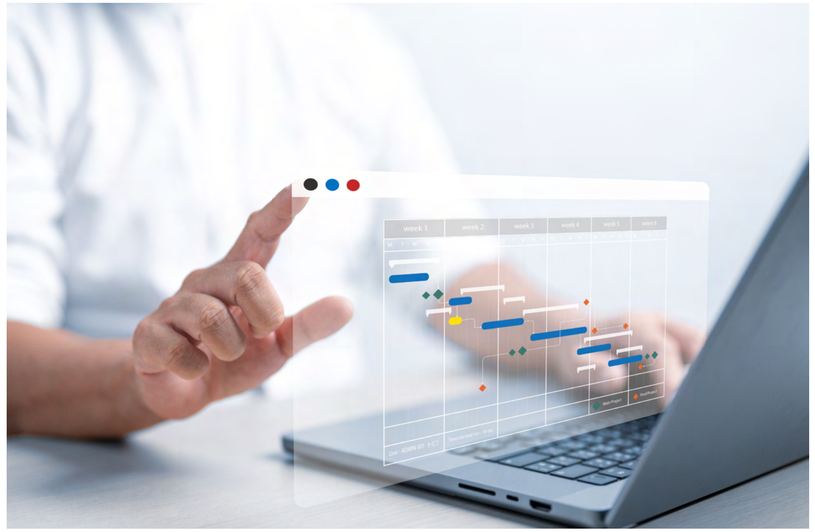
To get started, it may make sense to start with one demographic and build from there. After defining your audience, think about the tools you want to use to reach them. Newsletters, company websites, LinkedIn, and Twitter/X are all readily-available tools. For social media, make sure to use a similar handle and keep branding consistent across platforms so that your audience does not get confused.

Also, be realistic about the capacity you have. Sometimes businesses launch with heavily-produced, time-consuming content, such as video, and find that they do not have the manpower to maintain it. Starting small and staying consistent is a much better strategy.

Content calendars

Now with the audience in mind and the tools in place, here comes the most important part: developing a content calendar to ensure that you stay on track and that your audience always has something valuable to connect with.

Understandably, this is the part where a lot of wealth managers fail. There may be a lot of activity in the early days but as the reality of the job sets in, blogging, and newsletter efforts fall by the wayside. A content calendar helps with this by allowing you to think about the needs of your audience ahead of time and develop a strategy around them. While wealth managers cannot fully predict world events, there are some topics that become more relevant at different times of the year. January to April is often dominated by tax season while the end of the year is more about tax-loss harvesting and gifting. In between, there may be other appropriate times to discuss topics ranging from educational planning to maintaining a second home. Build your content calendar such that the information can be useful to your audience. There is little point in reading about how to save on your taxes on April 16th, for instance.



Once you start developing a content calendar of ideas, the next step is putting those ideas into action. Setting up a regular cadence for communicating with your audience is of utmost importance - whether it be weekly or monthly. Just set expectations with your audience and stick with them. The surest way to lose an audience is through an unexpected 'content vacation.'

It is easy to understand how it happens. The first newsletter does well, and there are a lot of ideas cooking for the second one. Things are going well and then all of a sudden, other work demands take over, so one newsletter is missed, and then another one, and then it feels like it has been so long, that it may not be worth picking it up again. To avoid this pitfall, when designing your content calendar, be aware of the ebbs and flows of your business. If the end of the year is a busy time, try to plan content that is more evergreen and can be drafted in advance when time is not so tight. It may also be possible to recruit another wealth-oriented professional, such as an estate planning attorney, to draft a piece as a guest writer for times when you may be busy. This is a great way to offer your audience a different perspective while also deepening some of your professional connections.

Fortunately, once a content strategy has been in place for a while, it becomes easier to run and build upon. You will find that many of the pieces you have written before can be repurposed for other platforms. A newsletter on rules on annual gifting could be repurposed as a shareable infographic or video for social media platforms. At the same time, earlier pieces on evergreen issues such as tax efficiency may just need a few updates to be relevant for today. And with a smooth process in place, you may be able to take a vacation, but your content will continue to run seamlessly.



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PRIVATE MARKETS - INVESTING IN THE INFORMATION AGE

Technology has had a democratising effect on private markets, says Hugo King-Oakley, Leader of Private Markets and Community at GPFO, a private network of family offices.

As the pulse of global finance quickens with each technological stride, investors benefit from the coverage offered by private markets and cutting-edge information technologies. And technology has changed nearly every part of the process of investing in private markets over the past decade, not just for the companies receiving investment but for investors too – accessibility is much improved. Every part of the process is digitised, including deal sourcing, execution, and portfolio monitoring. Private markets investment platforms have proliferated in the venture market, private equity, secondaries and more. Data is now abundant and accessible (although this in itself is not without its issues), a step change from a decade ago. Even the operational execution of investments is being reshaped across funds, syndicates, simple agreement for future equity (SAFEs), and further afield.

Yet, beyond the algorithms, platforms, and analytics lies a fascinating communal aspect - investors looking for a community to navigate the complexities of private markets within this new information age.

Democratisation

Indeed, in the not so distant past, investing in private markets was primarily the realm of institutions, specialist venture capitalists, and private equity/credit funds. Individuals and family offices were mostly left on the sidelines. Now, every reputable private bank offers a private market platform of sorts, although these vary wildly in quality and options.

This paradigm shift is characterised by a departure from traditional investment models that relied heavily on

"In the age of direct investing, family offices and individuals are not mere spectators in the financial markets; they are active participants, shaping their own financial narratives and contributing to the broader evolution of the investment landscape."

Hugo King-Oakley
Leader of Private Markets and Community
GPFO

intermediaries and complex structures such as the 60:40 portfolio construction model. As interest and appetite for alternatives and private markets have grown, so have options and solutions - offering more accessible and direct approaches for individuals. This democratisation of private markets comes as part of a wider democratisation of finance facilitated by technological advancements, which has been a driving force behind this transformation. The rise of online platforms, mobile applications, and the accessibility of market information has dismantled barriers that once hindered individual participation.

This is exemplified in available data, especially in the family office space. Goldman Sachs' 'Widening the Aperture Report' found that over 90% of family offices have venture capital exposure. Indeed private equity investment is now commonplace and expected to follow an upward trajectory.

In the age of direct investing, family offices, and individuals are not mere spectators in the financial markets; they are active participants, shaping their own financial narratives and contributing to the broader evolution of the investment landscape.

Platforms, data, and operations

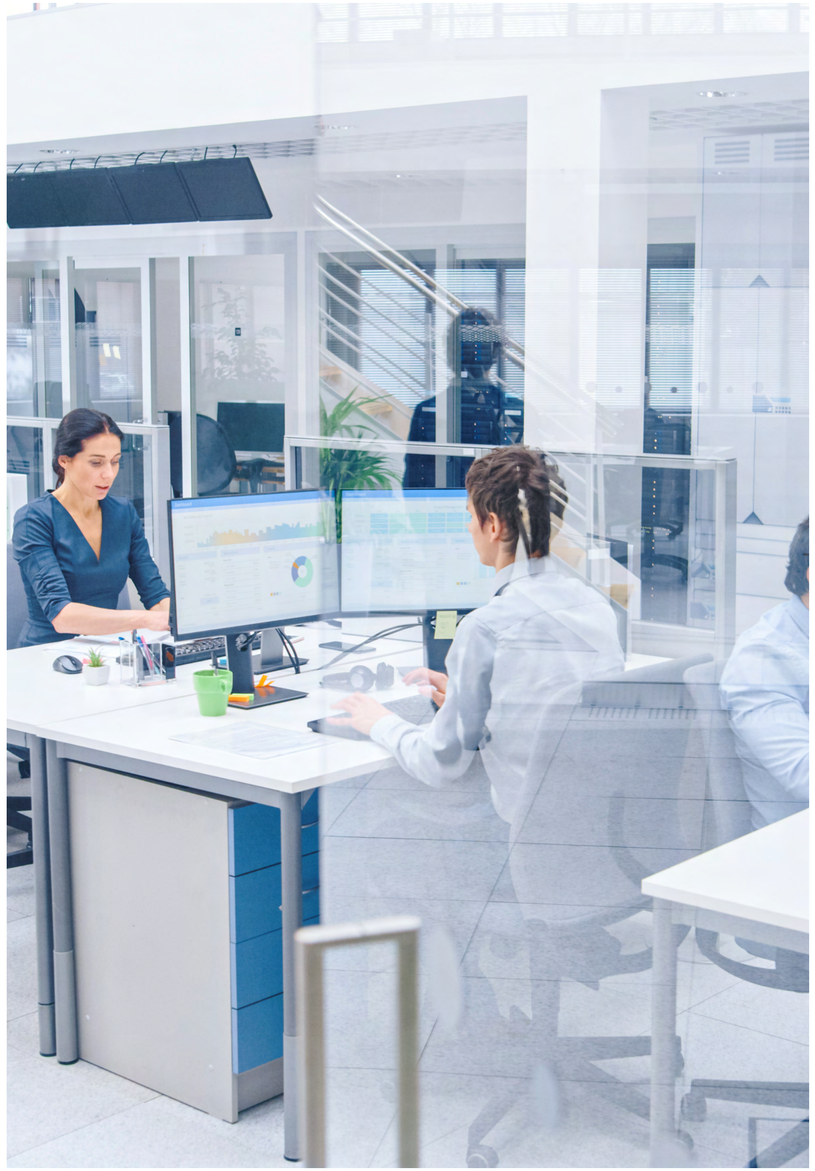
Data on private markets used to be scarce. Now, it is just lagged and patchy. Specialised data providers and analytics firms have emerged, offering datasets and insights into private markets. Data has catalysed investment, and as it is democratised, investors are empowered in their due diligence where previously uncertainty on market metrics led to unpalatable risk. Models and methodologies are becoming embedded into decision making, and more firms offer data-led investment strategies. Moreover, researchers have been working towards standardising reporting. At GPFO, we have contributed to this initiative with our family office private markets benchmarking research and produced data that is well used.

Operations - often unglamorous - have been beautified by technology. Whether that is execution focused, using simpler tools like digital signatures or increased comfort with video calls for due diligence, even to the more complex KYC processes and digital syndicates for funding rounds; increasingly, we see WealthTech solutions offering portfolio management platform features focused on private markets. All of this makes portfolio monitoring and reporting simpler and more efficient.

On the surface, sourcing relevant deal flow for investors seems a problem solved simply by technology. Online platforms and aggregators of funds and direct investments can host a plethora of investment opportunities, reducing information asymmetry and helping investors of all stripes source deal flow. However,

the explosion in online platforms has been accompanied by an erosion of trust as investors question transparency, accountability, and quality of due diligence (which differs greatly between platforms), as well as the legitimacy of deals presented. Many believe that 'if it is on an online deal platform, it is because it could not be funded elsewhere'. This is perhaps the most troubled and divisive innovation in private markets.

But this perception is changing slowly. More institutions have lent their weight to platforms, diligence and processes are improving, and trust in online platforms is following. However, it is a phenomenon that is not changing fast enough for many in the private wealth space and, therefore, has driven increased demand for private communities in both peer-to-peer and interest-specific communities. Many private investors in private markets rely heavily on personal relationships, which is why many high-net-worth-individuals (HNWIs) and family offices prefer co-investment. This is strongly supported by the data, especially for family offices. Kaufman Fellows and First Republic found that 82% of family offices conduct co-investments in venture capital. GPFO and Moonfare research showed 27% of family offices use co-investment as the primary way of accessing venture capital, 66% of which co-invest primarily with other family offices.



Community perspective

With this focus on community, where human relationships are key, it is worth exploring how technology can help support and enhance these relationships rather than replace them.

The technological revolution in direct investing extends beyond individual empowerment, delving into the realm of community engagement. Communities have become increasingly digitally connected and have emerged as powerful catalysts in bringing together like-minded investors, creating virtual communities that transcend geographical boundaries. These digital forums serve as hubs where investors can share insights, discuss strategies, and collectively navigate the complexities of financial markets. The democratisation of information through technology has transformed investing from a solitary pursuit into a collaborative venture, fostering a sense of camaraderie among individuals with diverse backgrounds and experiences.

Technological facilitation has paved the way for innovative ventures to thrive, breaking away from traditional funding models. Successful case studies abound, showcasing how communities of investors have fuelled the growth of startups and innovative projects that may have struggled to secure financing through conventional channels. These success stories underscore the transformative impact of technology in connecting investors and channelling collective financial support toward ventures that align with the community's values and goals.

While the benefits of community-centric investing are undeniable, it is essential to acknowledge potential challenges that may arise in this interconnected landscape. By leveraging technology to support and sustain these digital communities, the world of direct investing is evolving into a dynamic and interconnected ecosystem that thrives on collective wisdom and shared success.



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TECHNOLOGY'S IMPACT ON RECRUITMENT AND RETENTION

Good technology empowers the adviser and provides a value-added customer experience. This in turn leads to increased customer retention and potentially greater share of wallet for the adviser. But how far up the list of wants and needs is technology when it comes specifically to adviser recruitment and retention? Alison Ebbage, Editor-in-Chief at The Wealth Mosaic, investigates.

Wealth managers of all shapes and sizes, and in most geographies, are facing a war for talent. Indeed, as many advisers and relationship managers approach retirement age, a new generation of advisers is coming to the fore. The new generation of adviser is increasingly vocal about not just remuneration, but about the technology they will have access to in order to best serve their clients. This raises the question, does the potential employer have the technologies in place to allow the adviser to do their job in a friction-free and efficient manner? And thus, can they maximise the time they spend interacting with clients, and ultimately grow the assets under management (AUM)?

More importantly, can a wealth manager's technology offering be an actual deal maker or breaker? To what extent do advisers consider technology when deciding to stay with a firm or join a new one?

Leo McKeague, Executive Director and Co-Founder at eMFusion, comments: Competition for top talent in wealth management is intense, and technology can be a determining factor. We see it first-hand. Firms clinging to outdated tools struggle to attract top advisors who crave AI-powered insights, automated portfolio management, and secure client platforms. It's not just about efficiency; it's about signalling a commitment to excellence. Today's tech-savvy clients expect a seamless experience, and top talent seeks a modern, high-performance environment.

Our recent research paper, 'The role of technology for recruitment and retention within wealth management', focused on the US wealth management market and sponsored by BILL, echoed this sentiment. It found that advisers want technology to, at least, not get in their way, and for clunky,

> *"If using technology is the means to doing a better job, and a better job means more AUM, then there is a clear link between recruitment and retention. Without technology, advisers cannot maximise their own value."*
>
> Leo McKeague
> Executive Director
> and Co-Founder
> eMFusion

outdated technologies to make way for sleeker systems that are easy to use and intrinsically customer-centric. But it also found that although technology is on the list of adviser wants and becoming increasingly important, it is not the only focus for adviser attention.



What then, do wealth managers actually want?

“Overall, respondents think advisers are looking for the means to do their job in the best way possible, using technology as a support for efficiency as well as to provide the best possible experience to clients,” the report said. It also noted that technology would not alone be an initiator of change.

Benjamin Quinlan, CEO and Managing Partner at Quinlan & Associates, comments: “Most advisers are first and foremost interested in remuneration, and then after that in other elements like culture and having the tools to do the job. The one thing every single relationship manager hates is paperwork, so having a decent CRM tool that has one single entry point for given data, a set entry format, and that can then automatically share that data across different functions, i.e. risk, compliance, KYC, and the like, is going to be well received.”

Engagement tools

Engagement tools are also significantly attractive - for advisers and clients alike. Customers now expect a digital and personalised experience from their wealth manager, just like they do from Netflix or Amazon. Advisers therefore need to be able to provide that promptly, so collaboration and content tools are essential.

McKeague comments: “Content generation to provide a personalised experience is also a value add for advisers. Artificial Intelligence (AI)-enabled tools drive relevant insight and free up the adviser to actually spend more time with the client, making the relationship richer and driving an increased share of wallet.”

Tools that make it easier to manage the portfolio also make the adviser's life easier. This is very relevant in the context of today’s volatile markets, where clients are also demonstrating increased interest in private markets and other alternatives.

Quinlan comments: “Customers want an interactive interface where they can see stock movements, ratings, analyst insights, etc., but they also want to speak to their adviser because they can provide insight and help interpret what is going on in the markets. Accordingly, advisers need the right technology tooling to provide this to their customers, as, when, and where needed, in a user-friendly format.”

He adds that in the APAC region, private banks have not really offered a direct-to-consumer, Robo offering. “Instead of directly disrupting their models and bypassing their relationship managers, it is more about our enablement and having a singular view and unified dashboard. In the future, that will move into how to integrate things like Generative AI into the offering,” he says.

How much does this affect recruitment and retention?

Without good technology, the customer experience will be hindered, and advisers will struggle to grow their share of wallet, retain customers, and attract new ones. So technology feels important in that no one wants to work somewhere where their success is perhaps limited.

McKeague comments: “Technology literacy is growing rapidly among customers and employees. Organisations must provide user-friendly, innovative tech tools that simplify daily tasks and improve service quality. Those that fail to understand emerging needs and update outdated systems, risk disengaging their workforce and clientele, losing top talent and loyal business over time.”

He continues to talk about providing the technology, but also about the need for advisers who will be serving the next generation to be attracted to the possibilities afforded by technology and enthusiastic users. “Wealth managers need people who know how to get the best out of technology. Collaboration tools are particularly important as they provide the means to serve up an enhanced customer experience, in turn, upping engagement levels.”

Firms can also boost technology adoption internally by using peer group support groups and adopting a culture encouraging technological uptake. Having a positive internal environment also makes for an improved reputation within the broader industry, which should attract people with a positive mindset around technology and thus likely to be successful.

McKeague comments: “If you look at technology as an enabler, you support staff in using it and asking for new tools, and have a positive culture where leveraging technology is well understood and encouraged, then people within a firm will tend to be more engaged.

And Quinlan adds: “Going to a new bank with slick systems and processes probably creates a bit more longevity and job satisfaction. I see that as a stickiness tool as well as an attraction one.”

Indeed, if using technology is the means to doing a better job, and a better job means more AUM, then there is a clear link between recruitment and retention. Without fit-for-purpose technology, advisers cannot maximise their own value.

Our report reflected this, too: advisers were not remunerated or incentivised to use technology in any of the firms that took part in the research. But, “It was thought that advisers with better performance levels would likely be using technology more than those who were not performing as well.”

Ultimately, the importance of technology in recruitment and retention lies somewhere in between those advisers not wanting poor technology to get in the way, and those who are enthusiastic about the value the latest technology tools can add to the role. Both scenarios are, in the end, about attracting and retaining clients. When customer loyalty levels are low, then it would be a foolish wealth management firm that did not do everything it could to attract and retain the right people - technology is, thus, an essential part of the recruitment and retention puzzle.



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STANDING OUT IN A CROWDED MARKETPLACE – HOW TO DIFFERENTIATE ON SERVICE

Vendors need to optimise their message to get in front of wealth managers. Alison Ebbage, Editor-in-Chief at The Wealth Mosaic, talks to Chand Sooran, Founder and CEO of EdgeworthBox, and Michael Walford-Grant, Founder of MDWG Consulting.

Increasingly aware of the need for good technological prowess and supporting architectures, wealth managers and private banks are more open than ever to the advantages of collaborating with third-party technology providers. Indeed, an EY Parthenon report says: "Working with a FinTech to access innovative capabilities can be faster, cheaper, and more commercially viable than building or buying. At a time when many FinTech firms' market capitalisations have declined, partnering can equally be a good way to kick the tires on potential acquisition targets."

The report goes on to say that 55% of banks expect partnerships to play "very important" roles in their strategies by 2025.

Within banking, the wealth management industry has all the more reason to take a collaborative approach. Not known for its innovation when it comes to technology, the industry now faces increased demand from clients for a differentiated service in terms of both value proposition and its delivery. That means having the solutions and architectures in place to deliver!

Ceruilli's report agrees. It says that: "Portfolio accounting (75%), financial planning (58%), and tax optimisation (56%) are the top three applications licensed from external vendors by wealth managers, and that three-quarters of firms aim to enhance their technology capabilities by licensing market-leading vendors and maximising integration of tech tools."

"The WealthTech marketplace is renowned for the number of players it contains. The specific challenge for vendors is that it is very hard to differentiate in what is a crowded market."

Michael Walford-Grant
Founder
MDWG Consulting

But despite the willingness to work with FinTechs, there seems to be a disconnect when it comes to the procurement process. FinTechs often have a hard time getting the attention of wealth managers.

Procurement processes

This is partially due to banks' procurement processes where the shortlisting is done from a whitelist of approved firms, making it impossible for smaller firms to get noticed.

Chand Sooran, Founder and CEO of EdgeworthBox, explains: "The procurement department is often skewed in favour of larger, more established companies. It is much easier to deal with somebody you have dealt with previously because you have already vetted them. That is why incumbency is such a powerful attribute for a lot of these suppliers."

"A small company coming in with a newer approach is already disadvantaged against someone with a proven track record - even if that 10-year track record in itself tells you that the product is likely to ossify - at least in part."

In addition, the amount of time that the decision makers on these larger purchases are spending with suppliers is actually diminishing as a proportion of the overall project time.

Indeed, wealth managers are spending more time doing independent research than they would have done in the past. They might then have a short, almost perfunctory conversation with the vendor to test certain assumptions that they might have developed during this independent research phase and then decide on which vendor to work with internally. So, the biggest challenge for vendors is to make every interaction count.



Fragmentation

The other difficulty in being seen lies in the fact that the FinTech market is a fragmented and crowded one. This acts as a disincentive for wealth managers to pick out the needle in the haystack and for FinTechs to stand out and differentiate themselves.

Michael Walford-Grant, Founder at MDWG Consulting, comments: “The WealthTech marketplace is renowned for the number of players it contains. The specific challenge for vendors is that it is very hard to differentiate in what is a crowded market. But by selling yourself as a trusted partner able to collaborate with the wealth manager to identify key issues, describe a desired business outcome, and set out how to work in an iterative manner to reach the desired endpoint, a WealthTech can make themselves a more attractive proposition than one selling on function alone.”

Taking this approach also solves the problem of often competing interests within a wealth management firm. Firms buying technology want something risk-free and at a good price. CTOs want to innovate and are thinking about the overall architecture and tech stack. The end users set to benefit from a new solution, meanwhile, just want to be able to do their jobs in a way that is friction-free.

Sooran describes this as ‘daily hand-to-hand combat of competing interests’, saying that a good vendor will find the means to satisfy the needs of all. Meanwhile, Walford-Grant points out, “In most cases where there will be change, a key consideration is disrupting internal systems and people. If a vendor can work in a way that is likely to be less disruptive, then that, too, is a valuable attribute to have and will please all stakeholders.”

Indeed, wealth managers come in all shapes and forms. Some are very professional and specific about what they want and need, and others are more about the direction of travel. In each case, the vendor must show they can tailor the service on offer and fit into the crevices and cracks of a wealth manager’s infrastructure - both in the offering and culturally. The more open and honest the wealth manager is about the issues they face and need to solve, the easier things are for the vendor.

In that sense, there will always be an element of acting like a soundboard and being able to verbalise and contextualise the issue so that everyone is on the same page with what is being proposed and why. Wealth managers ultimately want the vendor to listen, to help define and articulate critical business issues, and establish a level of trust there so that they can openly discuss issues and challenges and talk without compromise

- they need the in-depth discussion and knowledge of the market as well as the specifics that the vendor can offer.

Walford-Grant comments: “Vendors need to be very vocal about their partnership ethos to be seen and make the shortlist. Furthermore, it still astounds me how lacking some vendors are when it comes to their positioning and USP. The lack of consistency around sales messaging, marketing, and general communications is alarming. If they cannot get their core values and messaging to align with what wealth managers want, i.e. a trusted partner, they will not succeed.”

In the end, selecting the right vendors for wealth managers is about more than finding a supplier of goods or services. It’s about finding a partner with whom they can collaborate to achieve business goals and provide support along the entire journey.

An innovative mindset and looking to the future are thus key parts of any vendor culture and can prove infectious within the wealth manager if communicated effectively and to the right people. Indeed, a large part of the challenge when it comes to new integrations is cultural resistance to change. Being enthusiastic about the positives goes a long way to alleviating this issue for wealth managers.

Walford-Grant comments: “It is all about knowing the market, knowing, and understanding the problems that wealth managers face, and knowing which bits fit with which element of an ecosystem. It is then being able to describe and contextualise the specific issue or issues that the wealth manager is facing and come up with a plan that is achievable, explainable, and will deliver return on investment results. Being able to articulate this is the challenge, but at the end of the day, it is this capability, that makes a vendor stand out.”



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04
ABOUT US

About The Wealth Mosaic

The digital marketplace for wealth management.

The Wealth Mosaic (TWM) is a curated online marketplace directory of solution providers and solutions relevant to the business needs of the global wealth management community.

Our online directory includes 2,500+ technology and related solution provider profiles and well over 5,000 categorised solutions from across this community. This resource is supported by an extensive library of knowledge resources including:

- News & PR
- Research & Insights
- Solution Information
- Podcasts & Webinars
- Videos & Video Interviews

Discover more about The Wealth Mosaic **here**

For wealth managers

We provide wealth managers with fuss-free access to our growing marketplace of WealthTech and other providers. We enable quick discovery of solutions, solution providers, and the related knowledge resources that are increasingly important to decision-makers adapting to change.

For solution providers

We enable solution providers to navigate, communicate, and generate valuable leads in a complex and fast-moving wealth management marketplace. Leveraging our global network, we deploy various tactics to drive measurable results for our solution provider community.

For others

For other participants in and around this sector such as investors, associations, regulators, research companies, events firms and others, TWM represents a core directory-first knowledge hub, built around the specifics of a changing wealth management industry.

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