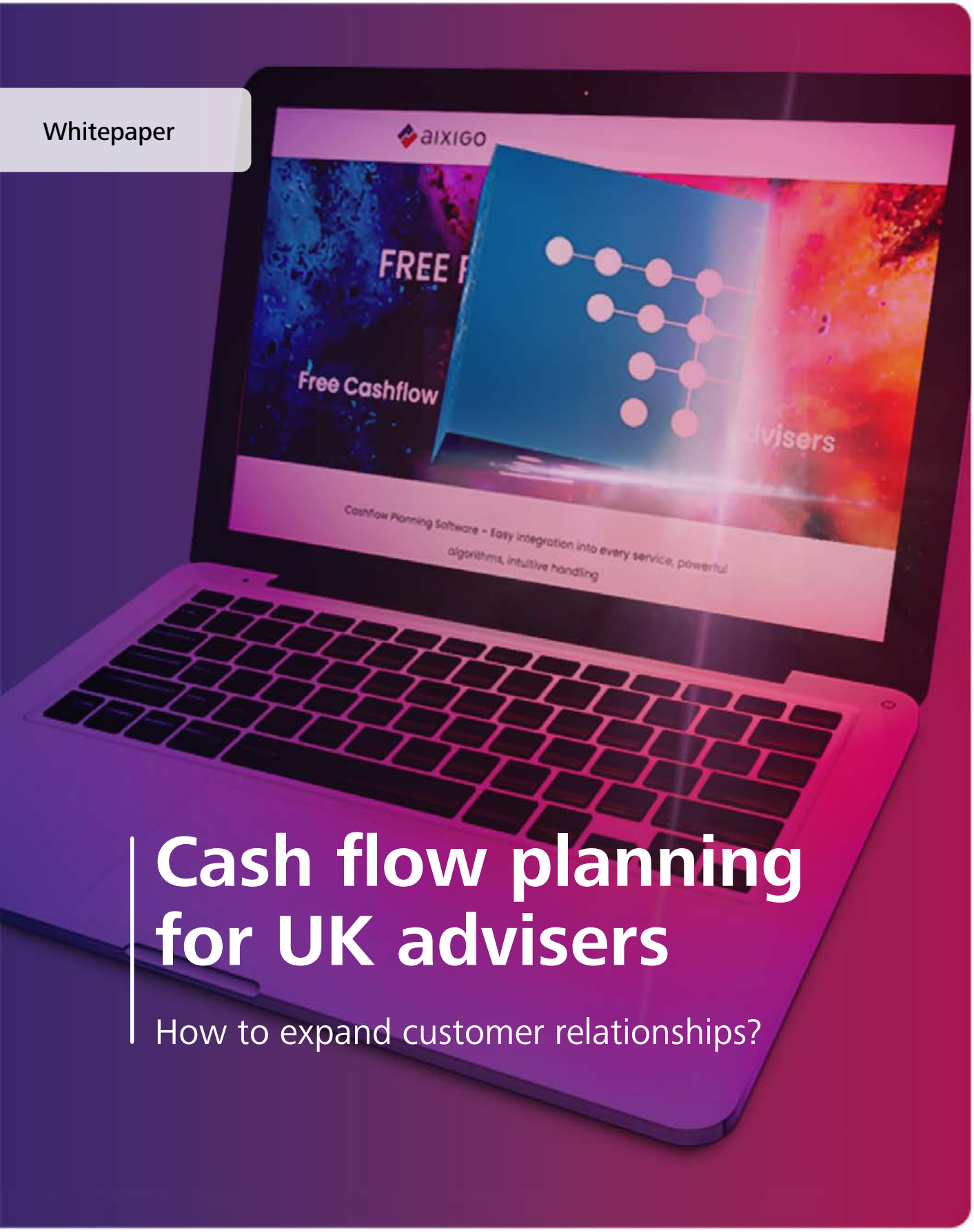
Whitepaper



Cash flow planning for UK advisers

How to expand customer relationships?

aixigo
Driving the New Wealth Experience.

Table of content

Executive summary 4

Introduction 5

Chapter 1
The business view: Stand-alone vs. integrated cash flow planning 7

Chapter 2
Customer and adviser view: Deep-dive expert vs. simplistic high-level cash flow planning 9

Chapter 3
Cash flow planning tomorrow: How future-proof are today's standards? 12

Conclusion 15



39%

of adults in the UK (20.3 million) don't feel confident managing their money[1]

63%

of adults in the UK don't feel they can determine what happens in their lives when it comes to money[1]

40%

Process automation of mundane repetitive tasks can save up to 40% cost[2] and offers a potential ROI between 30% and 200% in the first year[3]

99%

Automated data transfers and analysis can improve data accuracy relative to manual data operations from 62% to 99%[4]

[1] Financial Capability (2018): Key statistics on UK financial capability
[2] Caton, M. (2017): Embracing efficiency through robotic process automation
[3] Lhuer, X. (2016): The next acronym you need to know about: RPA (robotic process automation)
[4] Dilmegani, C. (2022): Top 17 Business Outcomes of Using RPA in 2022

Executive summary

- → Cash flow planning is very laborious and time-intensive because advisers often need to operate several stand-alone tools simultaneously while complying with FCA regulations.
- → Customer data aggregation from multiple tools is error-prone and impedes comprehensive advice due to limited analysis opportunities.
- → Standard cash flow planners are often either too simplistic or too sophisticated for typical customers and, thus, do not add substantial value.
- → Integrated cash flow planners combining service data and automating manual processes significantly increase service efficiency and improve the customer experience.
- → Customisation and flexibilisation of services are major trends in the financial industry.
- → API technology allows for flexible integration into existing infrastructures and great customisation while it increases opportunities to broaden customer relationships.
- → Software-based cash flow planning enables clients to build a strong sense of their own wealth.
- → Profound cash flow planning enables secure planning for various contingencies that may arise in a client's life, and thus financial security and reliability in planning.
- → Today's cash flow planning is not tomorrow's cash flow planning. Functionalities of a solution should be modularly expandable to allow services to grow just as clients' wealth grows.

Introduction

Cash flow planning is a key component of managing customer financials. The comprehensive planning of the customer's future income, retirement pension, and investments is essential for securing a financially sound outlook, especially in times of economic uncertainty and recession. Crises such as the Covid-19 pandemic clearly show that preventive planning for potential scenarios may protect against financial losses. Thus, one aim must be to ensure that the client is financially secure in a crisis.

Indeed, cash flow planning is not the only vital service for a client's financial health. Services such as portfolio management, investment advice, portfolio analysis, and similar assistance are equally important. Ideally, these services need to be integrated with each other instead of being considered individually.

The reality, however, differs. Financial services are often provided via distinct digital instances as stand-alone solutions. That means, if a customer wants multiple services, advisers typically need to operate several software tools simultaneously. This also implies collecting and aggregating customer data from multiple tools before it can be analysed. This, in combination with multi-source taxation and FCA regulatory guidelines, makes cash flow planning very difficult and laborious for advisers. At the same time, the complexity of common expert cash flow planning tools often exceeds standard customers' financial literacy. Understanding the dashboard visualisations and reports provided would require specialised training. Hence, such planning solutions tend to be overwhelming and incomprehensible for the client. Consequently, advisers need alternative solutions that simplify these processes.

This paper examines how an alternative solution should be designed to benefit both customers and the financial adviser. Thus, our first step is to evaluate from the financial services provider's perspective whether cash flow planning should be understood as a stand-alone or an integrated solution in the advice process. Next, we discuss the advantages and disadvantages of sophisticated expert tools against simplistic cash flow planning tools for both advisers and customers. This is followed by an outline of possible future evolutionary stages of cash flow planning. In this context, it is described how today's technology lays the foundation to adapt to upcoming trends in the financial industry. Finally, this paper closes with a resume and conclusive remarks.

> This paper addresses the question how an future-proof solution should be designed to benefit both customers and the financial adviser.



Chapter 1 – The business view

Stand-alone vs. integrated cash flow planning

From the perspective of financial service providers, this section evaluates whether cash flow planning should be considered a stand-alone or an integrated solution. A stand-alone solution implies that cash flow planning is technically detached from other wealth management services and software tools. An integrated solution, on the other hand, is characterised by the interconnectivity of mentioned services and software tools.

Cash flow planning as a stand-alone solution

Financial planning is complex. It consists of numerous comprehensive services, which are composed of a variety of mosaic pieces themselves. A popular example is asset diversification, whether in cash flow planning or wealth management. Within cash flow planning, stress tests clearly demonstrate why diversification of assets is meaningful. If for example an energy crisis is simulated, simulations clearly indicate which assets bear the individual risks of the energy market. This creates further upselling opportunities that, in turn, lead to offering a separate service. Once the adviser has delivered this additional service, usually utilising a different tool, he or she returns to the cash flow planning application, where they now need to update the client data. This is just one example of many – and it impressively shows the multitude of tools advisers need to perform different services.

The problem is evident. Advisers often need up to ten tools to serve a single client. Multiply this by the number of clients and the problem intensifies exponentially – just like the workload. Again, referring to the cash flow planning use case, this causes substantial time expenditure for the adviser, who – meanwhile – still needs to comply with the complex FCA regulations.

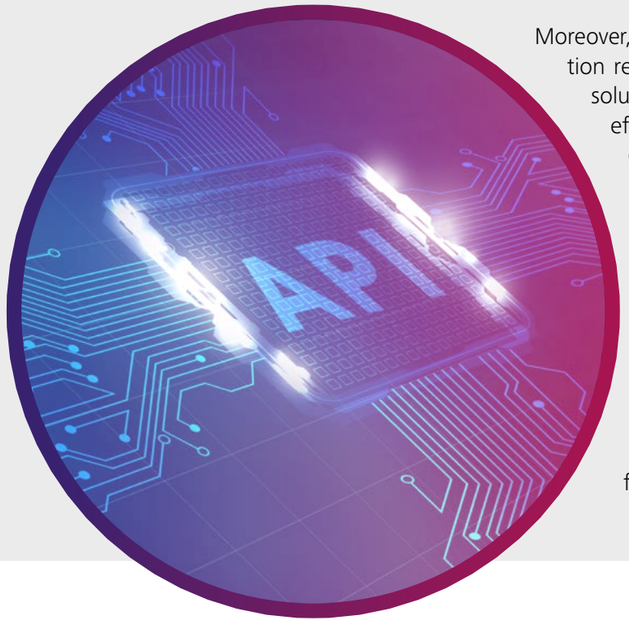


Cash flow planning as an integrated solution

If cash flow planning is thought of as an integrated solution, the aforementioned disadvantages of stand-alone models vanish. All relevant financial services, such as investment advisory, portfolio management, and cash flow planning are now part of just one platform. This enables automatic and secure data transfer across all wealth management services. Having all customer data available in one source-of-truth platform significantly improves data quality and simplifies a comprehensive analysis. This is also shown in a study by Dilmegani (2022), who found that automated data transfer and analysis may improve data accuracy from 62% to 99% relative to non-automated solutions.[5]

An integrated solution saves valuable time and allows simulating hypothetical scenarios much better. This results in optimised cash flow planning advice, which is also supported by findings of a 2021 survey conducted by UiPath. It found that 86% of executives believe that process automation enables their employees to spend less time on repetitive time-consuming tasks and focus more on creative work. Likewise, 63% believe that it increases overall productivity.[6] Furthermore, having a clear and complete overview of the client's situation and resources unlocks further discussion opportunities with the client. Combined with the possibility to easily and efficiently augment a service offering with additional services, this significantly increases the cross-selling potential for additional financial services.

Use API-based software to ensure that your systems communicate in the same way as you do with your customers – continuously and as needed.



Moreover, the high degree of automation resulting from an integrated solution has considerable benefits in terms of cost. Caton (2017) found that process automation of mundane time-consuming tasks may save companies up to 40% in cost.[7] In addition, McKinsey (2016) estimated that corresponding process automation offers a potential return on investment from 30% to 200% within the first year alone.[8]

[5] Dilmegani, C. (2022): Top 17 Business Outcomes of Using RPA in 2022
[6] UiPath (2022): Survey Reveals Businesses Are Doubling Down on Automation to Balance Against the Global Labor Shortage
[7] Caton, M. (2017): Embracing efficiency through robotic process automation
[8] Lhuer, X. (2016): The next acronym you need to know about: RPA (robotic process automation)

Chapter 2 – Customer and adviser view

Deep-dive expert vs. simplistic high-level cash flow planning

The following section addresses two common types of cash flow planning tools available in the market: simplistic high-level and sophisticated expert tools. Subsequently, their advantages as well as disadvantages from a customer's and adviser's perspective are discussed.

Expert cash flow planning

Expert cash flow planning tools are characterised by a high degree of complexity. They are designed to provide a well-founded basis for sophisticated multi-dimensional analyses and simulations. These tools often have a broad range of features and visualisations that are intended for profound detailed advice compliant with all contextual FCA regulations. Naturally, these tools target trained financial experts with several years of experience. For a customer without or with low financial literacy, these expert cash flow planners often do not add substantial value. Instead, the provided dashboard presentations and reports are too sophisticated and incomprehensible for a regular client. They do not contribute to developing a better sense of the impact of different events on the customer's wealth. That is unfortunate, as 63% of UK adults report missing exactly that, stating they do not feel they can determine what happens in their lives when it comes to money.[9]

High-level cash flow planning

High-level cash flow planning tools are, in contrast to their expert counterparts, much more simplistic. They are designed to provide an easy-to-use experience that is comprehensible for everybody. However, high-level cash flow planners often have a limited set of features that only allows for basic insights and insubstantial advice. As a result, they may cause contextual quality gaps, for instance, due to significantly reduced simulation and calculation functions. Likewise, high-level cash flow planning solutions tend to neglect specialised regulations, taxes, or inflation rates. Hence, despite being easy-to-use, they do not deliver much value, as they do not meet the individual needs of the client.

Is there an alternative?

The earlier mentioned Financial Capability Survey 2018 found that 39% of UK adults lack confidence when managing their money.[10] This underlines the market need for an alternative cash flow planning solution that combines the advantages of both types of tools while avoiding their disadvantages.

[9] Financial Capability (2018): Key statistics on UK financial capability
[10] Financial Capability (2018): Key statistics on UK financial capability

A perfect solution should

- allow for sophisticated high-quality advice and planning;
- automate time-intensive manual processes and increase efficiency;
- automatically be compliant with FCA regulations;
- contribute to making clients feel more confidwent in handling their finances;
- help clients to get a sense of how certain events could affect their wealth and how planning can help to protect it;
- be capable of exchanging data with other solutions.

Even more, the perfect alternative should be easily integrable into existing solutions and advisory processes to mitigate friction for advisers and customers during the introduction. Recalling the insights from section 2, financial advisers benefit as they save resources and increase cross-selling chances. Further, based on the findings gained in this section, clients also benefit from receiving better and tailored advice that relies on accurate financial customer data aggregated in one source-of-truth platform.

Advantages and disadvantages of different cash flow planning solutions are summarised in figure 1.

	Expert Cash Flow Planner	High-Level Cash Flow Planner	aixigo Cash Flow Planner
High-quality advice based on expert calculations	✓	✗	✓
Regulatory compliance	✓	✓	✓
Ease of use	✗	✓	✓
Comprehensible for clients	✗	✓	✓
Added value and real service experience for clients	✗	✗	✓

Figure 1: Expert vs. high-level cash flow planning tools

aixigo's Cash Flow Planner

Core functionalities for cash flow planning with high impact on customer trust

aixigo's Cash Flow Planner offers extensive possibilities for future cash flow simulations in an advice context. Based on the data inserted as well as the regulatory framework of the FCA, the application's algorithms estimate income and asset development over a particular period. All taxes (including income tax, capital gains tax, lifetime allowance, inheritance tax, pension transfer fees, etc.) are considered. Specific tax bands, thresholds, and rates of increase for all relevant regions can be defined. More information on aixigo's solution can be found here.



You want to learn more about aixigo's Cash Flow Planner?

Discover the brochure.

- → What functionalities does it offer?
- → What are the Cash Flow Planner's highlights?
- → Which business values does it provide?

Download the brochure

Chapter 3 – Cash flow planning tomorrow

How future-proof are today’s standards?

In sections 2 and 3, we addressed requirements and solution types against the backdrop of current cash flow planning solutions. It became evident that an integrated, comprehensive solution is beneficial for both financial advisers and customers. In this section, we now sketch future developments in cash flow planning and discuss how today's technology should provide the base for future adjustments.

Cash flow planning tomorrow

Today's cash flow planning is a comprehensive advisory process that takes place in direct interaction between financial adviser and customer. However, this is going to change in the near future. Major trends within the financial industry, such as embedded finance and conversational banking, point towards a reshaping of both customer expectations and industrial standards.[11] Traditional face-to-face advice in wealth management is relinquished in favour of a hybrid interactive approach that relies on multi-channel communication and digital applications. In 2021, Ernst & Young found in their Global Wealth Research Report that hybrid approaches are the globally preferred engagement method for future wealth management services.[12]

Customisation and flexibilisation play a vital role within this context. A primary reason for the success of FinTech applications is that they allow customers to use financial services whenever they need them. The next step following this logic will be to provide customised features according to the client's personal needs and economic context. The 2021 Global Wealth Research Report has also shown that the majority of wealth management customers are willing to pay more for experience-related features tailored to their individual requirements. Consequently, clients will likewise appreciate flexible integration possibilities of cash flow planning services into their everyday life. This includes interacting with their adviser via the communication channel they prefer, for instance, via push messages or messenger service.

[11] aixigo (2022): Embedded wealth management
[12] EY (2021): Global Wealth Research Report

Paving a course for the future

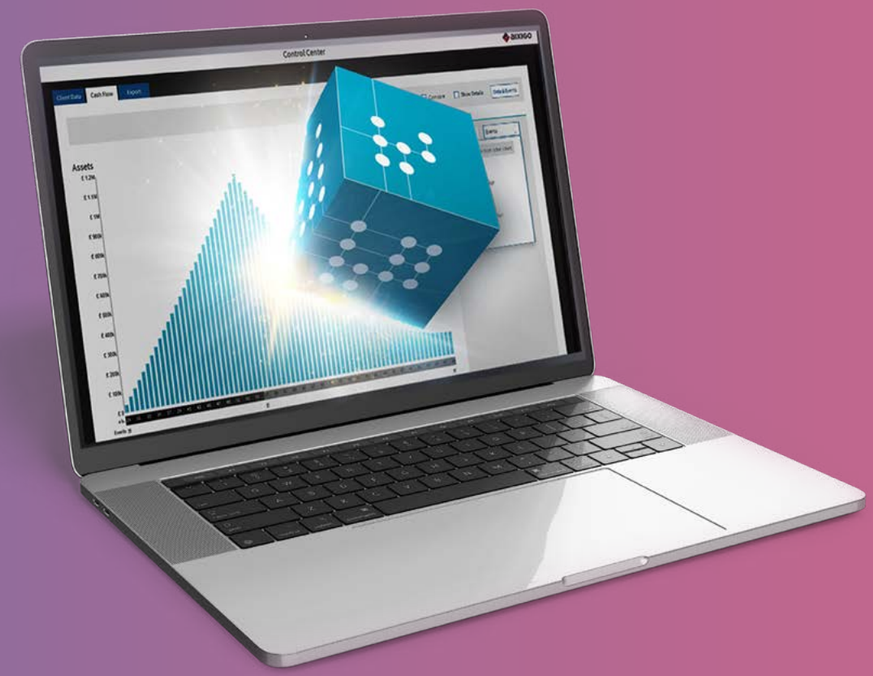
The sketched development is further fuelled by the technological affinity of younger digital native generations that will soon become the dominant force in the market. In a 2021 article by PWC, Lyons and colleagues stated that **"banks are now competing with nimble tech innovators with lower costs and appealing products and can no longer take their customers' loyalty for granted"**.[13] Accordingly, financial service providers need to adapt quickly to defend their market position in the near future. Therefore, it is vital to build a suitable and sustainable technical foundation. Given the increasing importance of customisation, an infrastructure that ensures maximum flexibility and quality is vital.

This can be achieved using API technology, as does aixigo's Cash Flow Planner, which is based on RESTful API. Its modularity lays the foundation for both fast integration into existing infrastructures as well as multi-channel functionality. Even in the long term, this allows to embed cash flow planning into further financial services and to offer it to customers at any point of contact. Overall, the technology used enables ongoing automatic monitoring of the customer's financial situation. Whenever a meaningful change occurs, customers and their advisers are proactively informed. Cash flow planning thereby becomes a real service experience. To conclude, reliance on RESTful API technology creates multiple opportunities for improved experiences for both the adviser and the customer.

In practice, this means that you can place a simplified version of the cash flow planning tool on your website or within your online banking solution to incentivise your customers further to choose your advice. Also, integration of aixigo's Cash Flow Planner into new services is possible at any time and helps to engage with and attract new customers.

> We transform tedious processes into efficient, user-friendly solutions that significantly save time.
>
> Besides – we crush incredibly complex information into a simple cash flow planning story for both adviser and customer.

[13] Lyons, J., Wackerbeck, P. & Zeiter, D. (2021): European bank transformation: banks must accelerate tech innovation to survive



aixigo's Cash Flow Planner offers the following functionalities

Cash Flow Planner
Free

- ✓ Lifetime Cash Flow Planning
- ✓ Comprehensive Income Planning
- ✓ Retirement Planning
- ✓ Wealth & Investment Planning
- ✓ Loans & Liabilities
- ✓ Protection Planning
- ✓ Estate & Inheritance Tax Planning
- ✓ Automatic Investment & Reallocation Rules
- ✓ Stress Testing
- ✓ Regulatory Compliance (FCA)
- ✓ 10 Advisory Cases/Month

Conclusion

Designing cash flow planning as an integrated solution that automatically integrates all client data from various sources is an ideal approach for service innovation. It benefits both financial advisers and customers. From the advisers' side, it significantly saves time by automating manual processes, ensures compliance with FCA regulations, and provides aggregated and valid client data in one source-of-truth. Moreover, it improves the quality of the conducted analyses by allowing for complex simulations and calculations that consider all relevant financial resources. An integrated solution creates multiple conversation opportunities with the customer and increases the cross-selling potential for other services. From the client side, an integrated cash flow planner constitutes the perfect compromise between complex expert tools and simplistic high-level solutions. It supports the necessary complexity for high-quality financial advice while being easy and intuitive to use. Thereby, it really adds value for the customer, who can understand and manage his or her financials more comfortably.

Building a solution upon smart API technology facilitates easy integration anywhere at any time. This guarantees a future-proof offering by allowing for quick adaptation and extension as soon as new trends emerge. Customer expectations and industrial standards regarding financial services are shifting towards a high degree of customisation and flexibilisation. This is a fact that can't be ignored. Traditional face-to-face advice is increasingly substituted by hybrid approaches that include multi-channel communication, for instance, via push messages or messenger services. Financial institutions need to quickly adapt to these trends to defend their market position in the near future. To sum up, **by relying on RESTful API technology as used by aixigo, financial service providers gain a powerful and flexible foundation today to efficiently innovate and shape their offerings of tomorrow.**

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