

WEALTH MANAGEMENT

A CONVERGENCE OF INTERESTS

WHAT ADVISORS AND CLIENTS REALLY WANT FROM THEIR WEALTH MANAGEMENT FIRMS

The challenges facing wealth management firms are substantial and numerous. Fiscal crisis in the Eurozone is the latest in a series of macro developments that have contributed to market volatility and investor wariness. At the same time, Dodd Frank and other newly passed legislation requires firms to expend considerable resources for regulatory compliance.

Despite the gravity of these two issues, however, they are not the only barriers that firms must surmount.

The flurry of mergers and acquisitions over the past few years has left some firms facing broker defections and others incurring considerable expense to retain those brokers for at least a few more years. The volatile markets have convinced many clients that they require some level of advice, but not all of them are willing to pay the fees associated with a full-service model. Advisors are grappling with the issues of providing guidance that encompasses both sides of their clients' balance sheets and asset classes as diverse as real estate and commodities, as well as equities and fixed income.

In short, the wealth management industry is undergoing significant change as firms seek to attract and retain advisors, provide clients with advice in the way they want to receive it and focus on value differentiation, while continuing to meet their regulatory responsibilities and market-driven challenges. Moreover, they are seeking to regain momentum, as last year was the first since the 2008-2009 recession that brokerage and registered investment advisor (RIA) firms did not see an increase in client assets.¹

At Thomson Reuters, we have always believed that our primary responsibility was to provide the information required to make sound decisions. In today's environment, however, it is becoming increasingly clear that information is only one component of the solutions that firms, advisors and clients are seeking. In fact, we've seen a major convergence between advisors and clients in their demand for:

- **Information that's easy to access and use**

We may live in what some have called, "The Information Age," but often that information is so voluminous that it can't be organized or accessed in a meaningful, easily digestible manner. Traditional advisor work flow products have been built to provide numerous functions, but navigating between those functions or working with several of them simultaneously can be awkward and frustrating. Advisors are seeking clean and simple work flows that will enable them to quickly locate the information they need and seamlessly disseminate it to their clients.

- **Information that can be shared**

Both advisors and clients want to be able to refer to the same market and account information when conferring with each other. In other words, clients want to be on the same page – literally – with their advisors when reviewing account performance, asset allocation, what-if scenarios or other information that could impact their portfolio.

¹. *New Realities in Wealth Management*, Aite Group LLC, May 2012



A Convergence of Interests What Advisors and Clients Really Want from Their Wealth Management Firms

- **Mobility**

Advisors and clients don't always have the luxury of sharing information while seated at their respective laptops. Affluent investors are becoming increasingly digital-savvy and spend more time looking at their accounts on their iPad or smart phone than they spend talking to their advisors. At the same time, advisors want to be able to communicate with their clients on whatever mobile device they may be using. A recent survey by the Aite Group concluded that mobile access to business applications ranks near the top of advisors' priorities, relative to other technology spending items.²

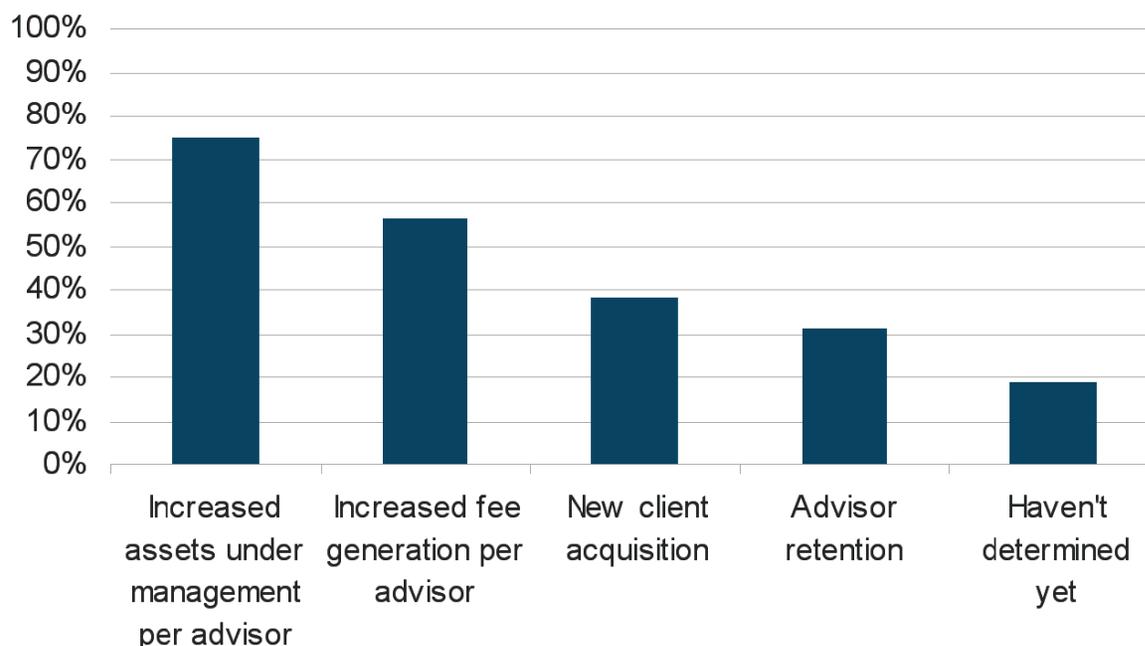
Laying the Groundwork

Our ongoing conversations with advisors and clients have revealed important insights about how they wish to receive information, when they require it and what they do with it after they get it. What they don't want is a replication of an online portal on a handheld device. What they do want are work flow solutions that facilitate communication with each other, no matter what the situation or technology requirements. For example:

- An advisor is sitting at his workstation when his client calls.
- A client is reading financial news online and calls her advisor on his smart phone to ask for advice.
- An advisor is at a hotel making last minute changes to a presentation on her tablet.

What information do they require for each interaction and through what technology medium will it be delivered? Only by understanding their behaviors and preferences will it be possible to develop meaningful solutions that add value at every point in the relationship continuum.

Measuring Success



Firms implement wealth management platforms to meet the demands of advisors and clients, but ultimately the success of those platforms is based on tangible results. A recent survey conducted by Celent reveals the criteria by which wealth management firms measure success, as well as their expectations of what improved platforms should deliver.

Source: Celent Wealth Management Survey 2011, Figure 21.

² *Top Ten Trends in Wealth Management, 2012*, Aite Group LLC, January 2012

A Convergence of Interests What Advisors and Clients Really Want from Their Wealth Management Firms

The Bottom Line

Firms are well aware that their ability to attract and retain advisors and clients, as well as to increase assets under management, depends in great part on their proficiency in meeting information accessibility and technology demands.

Developing work flows that integrate with multiple devices, however, can drain financial and human resources that are already taxed by day-to-day business processing, regulatory compliance, managing assets in turbulent markets and – oh yes – creating products and services that distinguish you in the marketplace.

Some firms have made a conscious decision to partner with organizations that specialize in developing work flow solutions, rather than attempting to create them on their own. For example, at Thomson Reuters, we have created an application platform that combines third party market expertise with individual client account data. Advisors can overlay client portfolios with technical analysis and other research that offers buy/hold/sell recommendations for each position. Building such an application internally and linking it with various technologies might take 12-36 months of full-time effort and require a substantial capital investment. By working with a firm that focuses on providing such services, you reduce expenses and free up resources to focus on core business issues.

“According to the World Retail Banking Report, 77% of retail banks now outsource at least one part of their business. Common industry estimates show that outsourcing provides banks with a saving of 20-40%, depending on whether processes are located locally or abroad.”

—Hudson & Yorke, June 2011.

Beyond Work Flow

Over the past 10-15 years, increasing numbers of wealth management firms have come to rely on external partners who perform functions that are necessary but non-differentiating in the marketplace. Securities processing is one example of these delegated responsibilities, while compliance reporting to meet changing SEC, FINRA and other regulatory agency requirements is another.

Looking beyond internal capabilities, however, can also provide you with expertise that doesn't reside in-house. Firms gain access to technology, products and intellectual capital that can help advisors understand and communicate with their clients more effectively, while providing clients with the advice they want in the way they prefer to receive it. Ultimately, improved advisor and client communication leads to greater satisfaction and loyalty among both constituencies, with renewed asset momentum and profitability for wealth management firms.

Wealth Management

Thomson Reuters Wealth Management is the leading provider of information services and transaction processing solutions to the professional wealth management and advice-led investment communities. Its innovative solutions and high-value content provide valuable intelligence needed to power the investment process and scale productivity.

A Convergence of Interests

What Advisors and Clients Really Want from Their Wealth Management Firms

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