FirstClearing

Digital Disruption: Is the Financial Advisor's Value Under Siege?

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Executive Summary

A steady drumbeat by the media and technology-driven competitors has suggested something is terribly wrong with the traditional brokerage relationship and, in particular, the client-advisor relationship. The brand of full-service investment advice that the industry has historically delivered is under attack. At the same time, escalating regulatory oversight and compelling technology platforms are converging. The headwinds the industry faces suggest a time of significant change is here.

No one factor is the root cause; rather, there are multiple influences at work. Some are environmental, coming at us from the outside. Others fall within the realm of human nature because they're all about how people feel and prioritize their lives.

First, from the environmental corner: Increasing regulatory oversight, such as the recent Department of Labor (DOL) fiduciary rule, will be changing the industry without a doubt. But other environmental factors are impacting the industry too — above all, technology. A mature financial services industry that has focused on investments and markets now finds itself eclipsed by the proliferation of digital technology. Technology has crept into our lives and profoundly changed our habits, preferences and expectations. A mix of competitors and upstarts with masterful digital tools and know-how offer simplified investment solutions, encourage investors to participate more in their investment life, save more by paying less for portfolio management and take control through engaging portfolio platforms.

Second, we're living longer. This is transforming our thinking and our behavior. The longevity trend has breathed life into the notion of living better while living longer and is shaping new attitudes about work, retirement and quality of life. Everyone has a different idea about how to spend the last third of their life. As each successive generation plans to live longer, fewer than ever are planning to retire to that proverbial rocking chair on the porch.

As a result, wealth management firms are struggling to predict consumer attitudes and preferences and trying to keep pace with changing investor demands. Informed investors with a multitude of information and more options than ever expect more from their financial advisors. These factors are combining to drive fundamental changes in investor behavior. They are redefining the rules of advice and threatening the longstanding assumption that financial advisors offer investors an advantage in pursuing their financial goals.

The time has come to restate the advisor value proposition and redefine the essential value in clients' lives.

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Environmental Influences

DOL Fiduciary Rule Casts a Spell on Retirement

The fiduciary rule is the culminating event for an industry that has failed to keep pace with the changing needs of investors. It marks the beginning of a sea change as investors and the industry come to grips with operating in a fiduciary climate. When the new fiduciary rule is effective in 2017, every advisor will be impacted, and there will be winners and losers in the aftermath.

At its core, the fiduciary relationship is built on trust. Advisors have a choice in deciding for whom they want to be a fiduciary. Or, said another way, which clients do they truly know and with whom do they have a trusting relationship? The best practices emerging from the rule reinforce these behaviors:

- Adopting a planning approach
- Transitioning from selling to consulting and advising
- Structuring regularly scheduled and meaningful client contact
- Documenting client conversations

While generalizations and "one-size-fits-all" approaches are misguided, it is important that we focus on the right solutions free of conflicts. The industry needs to operate under increasing regulation while innovating its way to a new business approach.

Expect the unexpected as the rule sets in motion both foreseeable and unintended consequences.

How DOL will impact retirement advising

The landscape for delivering financial advice has been altered considerably by the new DOL fiduciary rule. The standard requires anyone providing advice on retirement accounts to be considered a fiduciary by April 10, 2017. As a result, you are legally bound to:

- A duty of loyalty: to act in the sole interest of the client
- A duty of prudence: to act with skill, care and knowledge

This rule is going to drive fundamental changes in how you serve IRA and other retirement investors, including who and how you choose to serve investors.

Target-rich opportunities such as 401(k) rollovers, IRAs and other qualified vehicles will be impacted and client relationships will be disrupted. Clients with whom you've worked for years are getting ready to retire and are seeking advice about shifting their portfolios to generate income. Are you willing to act as a fiduciary for them? Strong, long-term relationships will most likely survive. But what about the clients you haven't been engaged with regularly? Are you willing to act as a fiduciary for *them*?

Is Technology Disintermediating the Intermediary?

Another key environmental influence is, of course, technology.

Advances over the last few decades have streamlined simple tasks and created more activity and fascination than we'd bargained for. Technology crept into our lives, *slowly, then all at once*, to paraphrase what Ernest Hemingway wrote in *The Sun Also Rises* about falling into bankruptcy.[1] We are in an era of go-anywhere personal devices: phones, tablets, laptops and readers. We are compelled by endless access and options to seek even more access and options. And, in the process, technology has redefined productivity, value and time.

How did we get here?

Never Alone Without Your Phone

Adoption of communication devices globally has been stunningly swift and encompassing, transforming every aspect of our lives. There were over seven billion mobile phone subscriptions in 2015, equivalent to 97 percent penetration, compared with only 10 percent penetration as recently as 2000. A similar look at internet access shows growth to 43 percent from seven percent over the same period.[2] Internet access has revolutionized financial trading, retail sales, entertainment, travel and leisure.

Several generations of online and technology-enabled companies — Facebook, Amazon, eBay, TripAdvisor, UBER, Airbnb — have devised applications that have transformed many areas of daily life: communicating, driving, ordering a room, finding a meal or navigating any city in the world.

For the most part, we bring our personal devices everywhere. "There is no safety, there is no security, there is no comfort anymore unless you're carrying your phone,"[3] comedian Jerry Seinfeld joked. In addition to checking our phones and devices regularly, we go to great lengths to keep them powered. Seinfeld says, "Now it's your life and your phone's battery life. Because if your phone's dead, does it really matter if you're still alive?"[4]

Has technology enhanced our productivity or has it led to a colossal time sink? Or a little bit of both?

There's an App For That

While our clients may not have been the early adopters, they've caught up. The widespread adoption of digital communication has affected every age cohort and income group, especially the higher income groups. If a 70-year old investor can access her grandson's birthday photo on Facebook, she can certainly discover financial information, quotes and perspectives on the internet.

But whether or not Grandma wants to use digital tools for investing, more than likely, her grandchildren will. They have at their disposal a wealth of digital tools to help investors manage their own affairs and "disintermediate" assets once managed by financial advisors.

There's an App for That: Online Tools and Apps to Simplify Investing[5]

Investors can directly:	Source:
Get real-time quotes	Jstock
Research stocks, bonds, funds	Morningstar, ValueResearchonline.com
Find a financial planner	LearnVest
Confer with other investors	Tip'd Off, Scutify
Monitor their portfolio	Personal Capital
Analyze performance and expenses on a mutual fund	Finra.org
Access automated investment advice	Sigfig
View all accounts in one place	Mint
Spot investing trends	StockTwits

Ample evidence suggests that clients will expect to interact with their advisors in new ways that are technologically assisted. What must an advisor's business model look like to share control of decision making, participate in real-time conversations about the managed accounts and react to a client who participates in a community of investors away from the firm? Is that what it will take to stay relevant among the super-engaged?

Data is Free, Insight Costs Extra

"We are drowning in information but starved for knowledge," John Naisbitt wrote presciently in *Megatrends*. Naisbitt predicted the deluge well before the dawn of the mobile device.

Those who search the internet looking for the answers to their problems soon find themselves drowning in information and suffering the absence of clear and reliable wisdom, knowledge and insight.

The "Information Age" has proliferated the production of data and the forced emission of true, untrue and barely-true data disguised as helpful information. Then, the information is frequently wrapped in advice from questionable providence.

For all of its virtues, technology is a cheap and a poor substitute for a personal relationship based on trust. Technology can be an enabler and a distraction. We have hastened the speed of communication through email and text at the expense of quality human interaction. Digital communication can be fraught with incomplete thoughts, misunderstandings and frayed emotions.

Some claim technology makes us lazy because we now rely on devices to do things we were once adept at. At times, it might degrade our intellect. But what it *can* do is sap our creativity, weaken our numeric ability and dilute our memory skills when things are all too easy to look up.

See Me, Feel Me, Know Me

One need that technology cannot fill is the human longing for meaningful connections with people who add value in our lives — our family, friends, trusted advisors and resourceful service providers. Never underestimate the value clients place on human interaction. More to the point, clients place a high value on their connection with a seasoned professional who can anticipate their needs, someone who really knows them and understands what's important to them and their entire financial picture — not just their investments.[6]

When it comes to showing compassion, applying critical thinking, adapting to information in real time and providing insight, these are fundamental to the role and central to the value of an experienced financial advisor.

That said, we must face the facts: The competitive environment is undergoing unprecedented change. A combination of environmental factors — including the shaking of faith brought on by the financial crisis, the aftermath of the fiduciary rule and the rise of the robo-advisor — are forging a new path for full-service advisors and the industry. Financial services is ripe for disruption.

What makes an industry ripe for disruption?

Does financial services meet the four criteria that make an industry ripe for disruption? British professor Mark Jenkins observed four common characteristics for industries subject to disruption:[7]

1. It has grown complacent from past successes.
2. It has lost touch with customers.
3. It doesn't take new entrants seriously.
4. The business model is out of date.

Industry disruption ideal – Warby Parker

The founders of direct-to-consumer eyeglass distributor, Warby Parker, spotted the opportunity to innovate the process of buying eyeglasses. Dave Gilboa and Neil Blumenthal, co-founders and co-CEOs of Warby Parker, were full-time students at the University of Pennsylvania when they recognized the opportunity to offer lower cost eyeglasses over the internet[8]. By revolutionizing the buying process, providing an easy and low-cost way for customers to make selections from a limited number of frames, the founders had created by 2015 a five-year old company valued at $1.2 billion.[9]

Lifestyle Influences

In addition, several lifestyle influences are converging that reflect changing trends, shape our plans for the future and alter the need for advice. They are giving rise to new attitudes about work, retirement and how people want to spend "the third half of their lives" (quipped Tom and Ray of "Car Talk" fame) once they transition from full-time work.[10]

Living a Long Life With Purpose

Since the turn of the century, advances in medicine, nutrition and sanitation have extended the average American's life expectancy. And, while wealthier investors may be optimistic about maintaining their current lifestyles after they leave work, others are worried they will outlive their savings — turning today's longevity risk into tomorrow's longevity crisis.

In the 1950s, a 65-year-old man could expect to live to age 78 — 13 years after the standard age of retirement. Today, that same retiree can expect to live to age 84 (19 years after retirement). For women, average life expectancy is 86. What's more, one out of every five 65-year-olds can expect to live past 90 and one out of 10 will live past age 95.[11]

Given that clients may live two or even three decades past retirement, how will advisors position their practice to help clients live meaningful lives for 30 more years? Are advisors prepared to help them plan for this transition?

Retirement Attitude Rollercoaster

As life expectancy has changed over the years, so too have attitudes, expectations and behaviors related to work and retirement. In the 1950s, traditional employer pensions and retiree health insurance helped alleviate the necessity to work into old age. With the addition of the Social Security Act, the belief that there was an accessible safety net enabled people to leave the workforce without jeopardizing all they had worked for.

This changed in the 1980s. With the shift away from pensions to defined contribution plans and financial incentives to delay taking Social Security, labor participation rates among older Americans have steadily increased —and dramatically for older women. Today, the average retirement age for men is back up to age 64 (women, 62).[12]

Top reasons people say they want to retire[13]

The availability of economic resources is a major reason people decide to leave the workforce. However, there are other influencers driving this decision. Among them:

- Good health
- Desire to explore other opportunities, change careers, volunteer, create social impact
- Dislike of their current job
- Desire to spend more time with family

Pause, Pivot and Transition

Many clients have dreams and goals that extend beyond career. "The sooner, the better" is how they view stepping away from full-time work or toward their next endeavor. Whether they wrap up early or right on schedule, they recognize the opportunity to pause, pivot and transition to do something else.

Maybe they want to travel, start a business, try out a second career or embrace a new vocation from their passion for others or interest in a hobby. With help from an advisor, they can have the financial freedom to pursue other interests. But will advisors be there to help clients realize their dreams beyond employment and help them answer questions like:

- How can I use my time to leave more of a mark?
- Can my advisor help me work through what I'm thinking about?
- How do I get my spouse on board with my plans?
- What are the financial implications of transitioning sooner?
- What benchmarks should I use to track my progress?

Those who want to make a career change or transition to a new role hope to begin a new chapter in their life. In fact, a trend among those age 65 years and older is an increasing interest in exploring ways to use workplace skills to make a social impact. For example, Encore.org is one organization tapping into the talents and interests of individuals who are prepared to leave their current positions to dedicate themselves to societal concerns.

"For the first time in history, many of us have an extra 20 or 30 'bonus' years of active, healthy life, after having developed extensive skills, knowledge and life experience," according to Encore.org.[14] The organization's vision is to engage individuals who want to transition from "what's last to what's next" in pursuit of a social purpose.[15]

Advisors to individuals who view leaving the workplace as a move forward may need to focus less on *retirement planning* and more on *future shaping*.

Reluctance to Retire

Societal trends, cultural norms and government incentives have made "65" the goal post to which many workers endeavor to reach. However, we all know individuals who meet that milestone and nevertheless are reluctant to leave the workforce. They may enjoy working, don't have hobbies or *fear* what's next. For some, leaving the workforce means leaving productivity and leaving friendships.

These clients may start asking:

- What will I do all week without my work?
- How will I structure my day?
- Should I relocate, downsize or seek a supportive retirement community?
- How could I put my life experience to work as a volunteer?
- What could I do in a second career?

Questions like these create stress for people who are not so ready to hang it up. How might an advisor's advice help a client who is coping with the uncertainty of impending retirement?

In addition, while poor health may have driven older Americans to retire earlier in the 1950s, today's less physically demanding jobs and access to health care have led many to recognize the physical and mental health *benefits* to staying on the job.[16]

And what about the social relationships and the ties we create with co-workers? Psychologists and behavioral scientists have found that increasingly workplaces have become the new neighborhoods where workers place greater importance on developing personal and professional networks.[17] Will those relationships be maintained after retirement?

For some clients, these non-financial benefits of the workplace may contradict the conventional notion that "working for the day we retire" is a prevailing life goal. For these clients, there is more stress *to* retire than *not to* retire.

More and more clients plan to enjoy a longer, healthier life 20 to 30 years after retirement with the capacity to indulge their interests and take on new activities. The ability to cultivate long-term client relationships may depend on developing the advisor's role into an *essential partner* — one who transcends the traditional role of an advisor and helps clients explore what's next.

Generational Needs

Even clients further away from retirement have varying needs when it comes to advice. What do they need from their financial advisor?

Generations are defined by what societal influences transpire during those years they were coming of age. And, though not an exact science, demography can paint a broad picture of traits that apply to each generation. For example, Baby Boomers (born 1946-1964) are often characterized by their optimism, strong work ethic and goal-oriented nature. Gen Xers (born 1965-1980) are said to be self-reliant, adaptive and skeptical. Millennials (born 1981-1997) have been described as resilient, collaborative and globally aware.

Generations generally defined[18]

Baby Boomer
1946-1964

Generation X
1965-1980

Millennials (Generation Y)
1981-1997

Generation Z (Post-Millennial)
1998-Present

When it comes to economics, Millennials are likely to have several jobs over the course of a lifetime, prefer to rent rather than own, marry later in life and use digital communications with ease. Innovation, technology and access to goods and services 24/7 have also influenced Millennials' attitudes about money, risk and success, making them more globally aware and socially active than previous generations.

Those born in the 1980s tend to have more debt and have a harder time finding work after graduation. They also came of age during the Great Recession, giving rise to a generation that tends to be fiscally conservative, less trusting of institutions and more reliant on "face-to-face" advice from people they trust.

The point is that the typical client-advisor relationship that worked for their Boomer or Gen X parents may not work the same way for Millennials and future generations. This forces advisors to adapt to both the way younger investors feel about money and the way in which they use it.

Generational Differences

Motive For Investing

In a report by First Clearing and The Center for Generational Kinetics, the nearer one is to retirement, the more emphasis is placed on long-term security than day-to-day living. Boomers are generally concerned about having enough money saved for the rest of their lives, and the reason they invest is to "provide a feeling of comfort and security." Gen Xers, who may be seeing retirement fast approaching, say the reason they invest is to "retire one day." Millennials also invest with an eye toward retirement, but they are living in the present, and the ability to pay bills on a daily basis is their top priority. Thus, each generation of investor may have a different motivation for investing.[19]

Preparing to meet the needs of each unique investor at his or her stage of life is significant to offering advice.

Delivery of Financial Information

Beyond time horizon, delivery of information is another key differentiator among generations. Baby Boomers — who are not only preparing for retirement but are focused on wealth transfer — place a high value on personalization, financial knowledge and the ability of advisors to partner with them as they manage their money. Gen Xers, sandwiched between taking care of parents and taking care of their children, strive to be self-sufficient, but they also place a high value on family and friends when it comes to financial advice. In fact, the role of the family to making financial decisions is a key differentiator between Gen Xers and Millennials.[20]

Millennials, having watched their parents' retirement savings shrink during the Great Recession, may be more open to taking control of their own finances[21] (think the rise of the self-directed investor). In addition, these digital natives tweet, post, connect, snap, pin and engage through social media, which means reaching them through nontraditional communication is crucial.

Generational Similarities

Strategic Advice is Paramount

But no matter what stage of life, motivation for investing or delivery method, all investors — young and old —seem to have one thing in common when it comes to what type of advice they prefer: Investors want long-term, strategic advice.[22] Moreover, across generations, investors cite face-to-face communication as essential to the client-advisor relationship. For younger investors, technology and social media are an added benefit when it comes to investing (they do like email as a secondary contact method). But "all three groups place the most value on long-term, strategic advice and believe that the best place to get it is through a financial advisor."[23]

Millennials, like their predecessor generations, still desire personalization and individualization, but they want you to know them as people, not just clients. Meeting them "where they are" provides an opportunity to build long-term trust.

Generation by generation by generation			
	Baby Boomers (1946-1964)	**Generation X (1965-1980)**	**Millennials (1981-1997)**
Priority for investing	Comfort and security	Pending retirement	Paying bills
Time horizon thinking	Long-term	Retirement	Immediate
Financial advice	Advisor as partner	Advisor plus family and friends	Advisor plus online tools
Secondary contact method	Phone	Email	Email
Type of advice	Strategic	Strategic	Strategic
Personalization preference	Face-to-face	Face-to-face	Face-to-face

The Importance of Teaching to Advising

Although financial markets today have become more complex and individuals are faced with a proliferation of new investment opportunities, basic financial education is missing from much of today's educational curricula.

In a 2016 National Financial Capability Study, FINRA found that less than one-third of respondents report having been offered financial education at a school, college or the workplace.[24]

More than predecessor generations, Millennials possess a "low-to-medium level of financial knowledge," say researchers at Deloitte. This may be one reason why Millennials continue to turn to professionals for advice, and why it's become more than just an imperative for advisors to become financial educators – it's become an obligation.[25]

The lack of financial literacy among young investors presents an opportunity for you to engage with a less financially literate client, but one who may be more interested in learning the basics. Having access to more financial information and online tools doesn't mean one understands how to use them. These clients won't just pull information from the internet or your website, they expect you to push out relevant, compelling information that will help them be better investors. They are looking to you to teach them *about investing* even if they need you to advise them on *investments.*[26]

As Millennials grow in economic power, you may find you are courting a generation that is less equipped to navigate a more complex economic world. Your ability to adapt to the needs of younger investors will be significant to your role as a financial advisor.

Future Generations

How advisors plan to advise "Generation Z" and future generations is anyone's guess. Future generations will be shaped by different influences and forces than previous generations. This demographic is growing up in an age when technology is at its fingertips, location matters less than ever and convenience with immediate feedback is just as important as products and services. People today communicate by phone without talking and engage without showing up.

How will this impact the financial advising industry? And what will the next generation of investors need from advisors? Once Generation Z begins to invest, we'll find out.

Disrupting Digital with a New Model of Advice: Moving in for a Closer Look

What will the future hold? At this point, we shift gears from a research-based case for change to a discussion of what could be. While there is always an element of "reading the tea leaves" when envisioning where we might be going, we believe a new model of advice is sorely needed. And, we believe this new model can best be developed through a combination of innovative thinking and active listening to clients' needs and preferences. It might go something like this…

Old Model

Advisors in the 1990s were true intermediaries in the sense that clients found it hard to invest on their own. This model offered investors limited and restricted access to financial decision making.

Remember when advisors mailed company research reports? Financial advisors collected the research, dispensed the knowledge, called up the data and put together the resources to guide the client's investments. Access was restricted, and the investor needed someone to navigate, translate the arcane language of investing and provide research, execution and reporting.

New Model

Fast forward to the present. As more and more investments — passive and active ones — have been introduced, investors can now research and buy on their own. They can follow readily available guides for how to invest. Diversification was once offered only through an advisor, while today, clients can assemble a sufficient mix through Exchange Traded Funds (ETFs) and other funds.

And, yet, while investors' needs from advisors may be less clear, what they gain may be more meaningful. Advisors can offer new value by transcending conventional financial advice by ***cultivating the family's well-being*** through a sustained relationship as a trusted advocate.

What is Well-being?

Well-being is experienced as satisfaction, having a purpose in life and a connection with others. Well-being is not financial security; however, one's financial situation affects areas of their lives, including mental and physical health and wellness.

Happiness is created from experiences in life that we create with our wealth, rather than the things we buy. Time spent with family and friends, unique and memorable outings and one-of-a-kind experiences are what form indelible memories.

Life experiences are really about how people spend their time, which is our most precious commodity. When advisors can lead families to the most meaningful deployment of their time, they are cultivating client well-being. And for financial advisors working today, new value is created by building deeper connections with clients around their values, intention and purpose.

A Moment of Introspection: "What's it All About and Am I Suited For the Role?"

As you have learned what clients expect of you and contrast their needs with your current business model, what do you think? Can you commit to developing a true interest in expanding beyond your comfort zone?

As an advisor, you must put aside the standard practices that limited you to doing business the old way. Instead, you must ask, "Is my business model sustainable given the likelihood for change?"

As a true financial advisor, the only way to defend your advisory position with clients is to enhance the conversation around what truly matters in their lives. You are in the position to help them navigate life, help them fulfill their hopes and dreams across ALL areas of their lives.

You will need to make a long-term commitment, be ready to acquire more skills, add external partners and adapt your business model accordingly.

Take this as an opportunity to delve deep into the future of your practice. Take time for introspection and self-reflection about where you are in your practice and what your clients will ask from you going forward.

Some questions to consider:

- How have my clients changed what they are looking for?
- Do I really know what they want or need?
- What impact will the fiduciary rule have on my business?
- How can I help my clients move beyond their financial goals to achieve their purpose in life? Or how well can I translate what their financial goals really mean relative to their life and aspirations?
- What role will technology play?
- How will I harness technology to serve clients differently?
- Am I suited to the role?
- What skills will I need to build?
- What types of professionals will I need to refer to?

Take time to reflect on these questions. Are you open to the possibility of change in order to enhance your clients' well-being and become more essential to their lives?

The Role of Well-being

"The two most important days in your life are the day you are born and the day you find out why." —Mark Twain

People who trust an advisor enough to open up about their finances often feel safe enough to speak freely about more personal concerns. That's why, in their conversations clients may touch on all the things they hold dear. They may confide in their advisors about family and friends who are closest to them, divulge their passions and sense of purpose and reveal their health and medical issues. How can advisors honor their confidence and contribute further to their well-being?

As adults mature, clients may begin to start wrestling with questions of meaning, purpose and spiritual values.[27] Helping clients look inward can help them think in new ways about their identities, their capabilities and the potential to achieve an even higher level of contentment. This exploration can spark a new vision as they transition to a new chapter in their lives.

But how will many advisors make the most of this opportunity? Within the privileged bond advisors share with clients, how close are they to unveiling their clients' hidden passions? How much further can advisors go to help clients achieve what they want in their lives? Helping them to map out a path to their happiness and fulfillment may well be the new model for enhancing clients' lives.

From Transition to Transformation

The closer they get to departing a career, the more questions come into their consideration. While they may not say it aloud, it is not unusual for a change in career to raise questions of identity, such as, "Who will I be when I stop being who I am?" There's often that much at stake.

For the woman or man whose identity has been linked to an occupation — the physician, the corporate executive, the human-relations professional, the school administrator —retirement modifies identity as well as routine. Some will feel emancipated while others may dread what they fear as "the end of days." In fact, for many, the end of work signals the beginning of a new chapter, a sort of zero-based time allocation to activities and pursuits they alone can choose.

Life after work is not the only transition clients face. Career changes, death of a loved one, divorce, ailing parents, a medical diagnosis, physical limitation or financial setbacks — these are the life events that shake the foundation of life experience. Younger clients may be scaling career hurdles, making family decisions, wrestling with financial priorities or learning how to overcome obstacles in their lives.

An advisor can create essential value during these seismic moments in time by recognizing the signals and learning how to show up as a trusted advocate to contribute to clients' well-being.

As your clients search for meaning in their lives, do you have the will, the courage and the tools to walk with them?

What are the requirements to become a transformational advocate, partner or guide?

- **Listen for a client's goals, vision and expectations for the future**. Guide your client in determining their life goals. Do they want to find more balance in their life or spend more time with the family? Ramp up their health and exercise goals? Start a business or get out from under the business they have? How can you help?

- **Focus on outcomes**. In the management of their investments, have you begun to focus on the outcome or purpose for their assets? Often, positive experiences are what clients are after, not material goods. Their money should serve to support a way of life rather than a rate of return.

- **Point them to resources**. Learn the differences between a counselor, coach and consultant, and point your clients to the resource that will help them shape their dreams and goals into action.

- **Assess how they want you to show up in their lives**. Learn how they want to engage and hear from you and respond that way.

The Well-being Conversation

When you change the conversation with clients, their well-being and not their money alone becomes paramount. If well-being is defined as what makes a person happy, healthy, safe, successful and content, then how can advisors elevate their experience with clients to make their lives more fulfilling?

Three Profiles of Well-being

We believe that our general sense of well-being is derived from three sources within the individual's experience:

- **Network** (individuals and support systems, including family, friends, connections, skills, security, education and social technologies)
- **Wellness** (mental and physical health and success)
- **Financial resource** (money as a means to fulfill life goals)

Together, these three sources combine to produce a profound physical and psychological impact. While advisors have traditionally focused primarily on the client's economic well-being, engaging with clients in a more holistic approach can ultimately drive client loyalty. An advisor who focuses on a client's well-being, rather than just a balance sheet serves to transform the advisor into an essential partner aimed at helping the client effectively navigate life transitions.

By considering all three components of well-being, advisors can understand a client's foundational core more deeply.

Three profiles of well-being:

- **Network Profile:** To reflect not just the people we know and the connections we hold, but to include the influences that make an impact on our lives. Each individual is a reflection of multidimensional influences — family, work, community, organizations. How do these influences intersect and interact in your clients' lives? You must insert yourself into a client's network, understand who and what inspires them and realize these connection points can help you cultivate a long-term relationship.

  More than ever, clients need you to engage and involve not only them but the relationships, the influences, the connections most central to their lives.

- **Wellness Profile:** To be happy and healthy, which includes the mind and body performance throughout various stages of life. At its core, wellness is an "active process through which people become aware of, and make choices toward, a more successful existence."[28]

  Importantly, to be well means to be balanced, healthy and dynamic. By considering a client's wellness, you can help clients think more holistically about growth and fulfillment.

- **Financial Resource:** To feel safe and secure, which includes all the financial resources needed to support how we want to live our lives. You may have come into your job with a focus on managing client investments, but today, clients are looking for help managing their *lives*. Because each stage of a client's life may be impacted by finances, you have more opportunities to help.

What Money Can't Buy

It's crucial to understand all three profiles because, typically, advisors focus their efforts on whether clients have sufficient financial resources. Yet wealth alone does not ensure happiness and fulfillment. In fact, studies have shown that happiness is not tied to wealth nor to owning the shiniest toys or the largest homes.

American psychologist Martin Seligman has promoted the term "Positive Psychology" since he introduced the term to the profession in 1998. His studies led to three basic findings that predicted an increased sense of satisfaction and gratification in the lives of adults. The factors impacting increased fulfillment in life are:

1. Being in a stable romantic relationship
2. Making a living from a vocation or calling versus just having a job
3. Believing in something larger and greater than oneself

Interestingly, the research also showed that there was no significant correlation between wealth-health-education and authentic happiness.[29]

But, happiness later in life must be different, right? Advisors can work to ensure sufficient assets for clients' comfort, security and contentment. But, turns out, money still can't buy happiness, even as we grow older, according to a recent study that flagged eight key traits to happiness. "Highly successful retirees come from all kinds of professions – from stay-at-home moms to corporate leaders, from astronauts to cab drivers, from people forced to retire to those who couldn't walk away."[30] Retirees' retirement success is not related to gender, marital status, children, hobbies or grandchildren, the study found.

Two gerontologists discovered the **eight key traits** for a successful retirement:

- An ability to plan ahead
- A positive attitude
- An acceptance of change
- A support network
- A sense of purpose
- A healthy lifestyle
- Enjoyable leisure activities
- An expression of spirituality[31]

Attitude, plan, network, health, purpose and equanimity are as essential as they are definitional to well-being, in the study of 1,500 patients of the study's authors.[32]

The New Goals of Happiness and Fulfillment

The new advisor value proposition has to translate finances into something more essential, more transformational in clients' lives, and that means fulfillment of their overall well-being and their purpose in life.

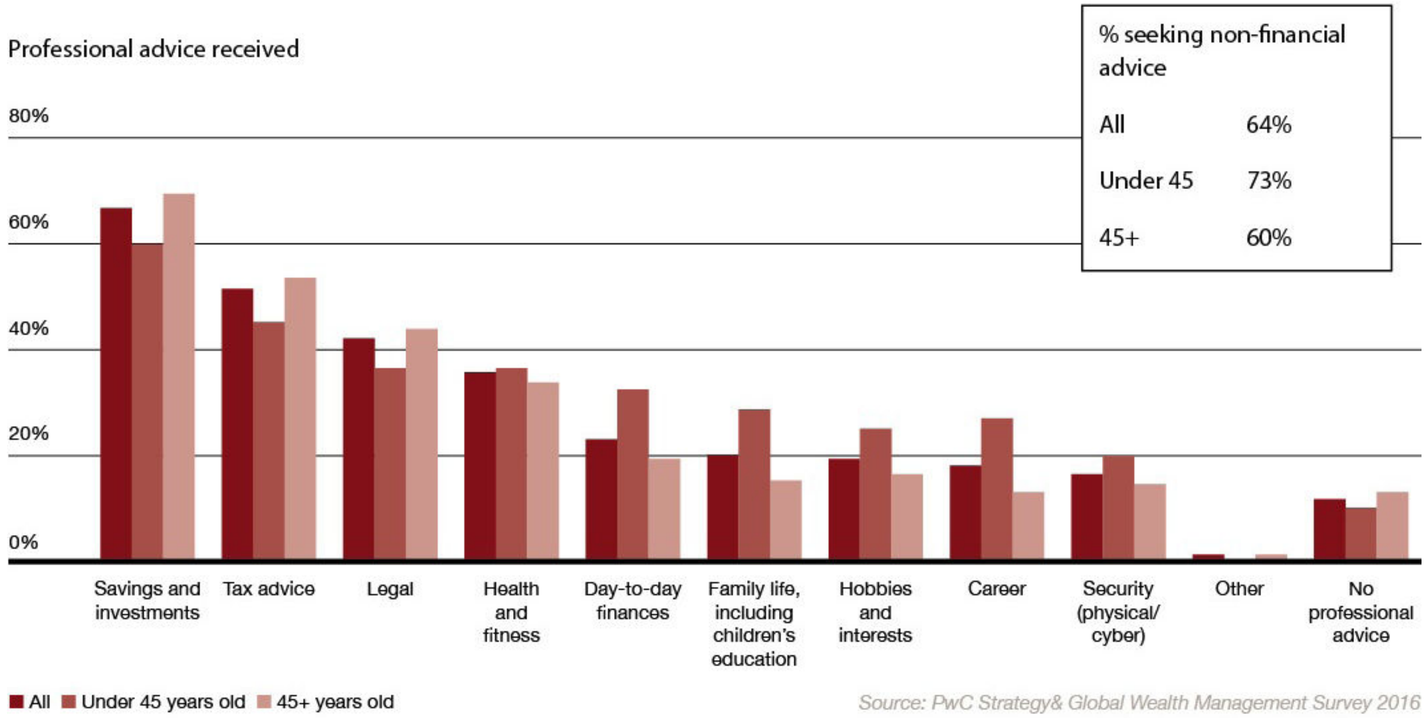
This road presumes the advisor has a deep and meaningful connection with clients. A good connection can be made more meaningful through a consistent standard of care and regular conversations. Having a reliable process in place to give clients attention and access at predictable intervals goes a long way toward building trust and fulfillment.

As clients confide in highest hopes and deepest longings, what process will advisors have in place to assist them in attaining these goals? And what is that worth?

The Value of Professional Advice

High-net-worth investors (HNWI) — broadly defined as those with investible assets of $1 million or more — are characteristically highly educated, entrepreneurial, self-sufficient, ambitious and goal-oriented. They will pay for advice, but they expect personalized service delivered efficiently.

And they will pay for professional services. From tax and legal advice to non-financial matters, such as health and fitness, career, family life and security, most HNWI will pay for services that help them fulfill their lives.[33]



Appetite for Technology

Less known but increasingly significant in today's digital society, is that HNWI are not only sophisticated when it comes to money and what it can buy, they are savvy when it comes to technology and the use of digital communications. They believe that being digitally savvy and socially connected are aspects of fulfillment, and they expect their trusted advisors to be equally knowledgeable.

Consider the 2016 study by personal services firm PriceWaterhouse-Coopers (PwC), which found that 69 percent of high-net-worth responders use online and mobile banking, 85 percent use three or more digital devices, and 98 percent use the internet and apps on a daily basis.[34]

HNWI are distinct from other investors. They are knowledgeable about money, they have an eagerness for information, and they have a "desire to keep gaining investment experience." They don't just desire online features to track investments, they want educational and planning tools and services that enhance their lives and deliver outcomes. The high-net-worth investor expects a "unique experience from their financial advisor."[35]

A New Kind of Practice

To forge a new kind of practice, advisors must move in for a closer look at clients and expand their understanding of clients' needs and goals. The new advisor value proposition is about enhancing the well-being of clients and freeing up time for fulfillment and true happiness. The underlying premise is that advisors and clients already enjoy a relationship of openness, confidence and mutual trust. Move in closer and change the conversation: It's important to combine coaching and consulting to uncover the values that are most important to them.

A process like an Envision® plan can support advisors' efforts. As clients identify obstacles to fulfilling their goals, advisors can provide them with investment planning, access to curated resources and referrals to service providers — and even offer a means of benchmarking to encourage the progress toward their goals in every area of their lives.

Technology Catch Up

Then there's the pressure to keep up with technology. While the appetite for technology and interest in more personalized service continues to increase among both younger and older HNWI, the wealth management industry has been slow to respond. Wealth managers currently rank among the "slowest adopters of digital technology" in the financial services sector, including integrating digital functionality into communications, back office and administrative functions and adopting mobile apps.[36]

Clearly advisors have ground to gain from a slow start, slowed further by regulatory and security concerns. Wealth management firms struggle to determine the optimal blend of human and digital interaction.

How can advisors bridge the divide, employ technology and help clients grow their wealth *and* plan for long-term well-being?

Start by recognizing that even if the industry is currently behind technologically, advisors can catch up by:

- Providing digital tools and engaging in social connectivity that creates "real value." For high-net-worth advisors, lower fees will not create the kind of experience this cohort is looking for.
- Offering more opportunities to learn. HNW investors don't just want more information about their portfolios, they want to be educated about how they can better their lives.
- Delivering long-term planning advice that — while it still needs to be *personal* — does not have to be *in person*.
- Using the power of the position as a trusted guardian, which includes taking advantage of data, planning tools and digital applications, to provide optimal approaches to managing both financial and non-financial life events.
- Understanding that efficiency means accessing traditional and digital tactics to serve the HNWI in an age when financial security means more than just return on investment, but necessarily includes planning for long-term wellness.
- Harnessing technology to serve clients. Advisors have the opportunity to blend the dimensions of financial, network and wellness to achieve overall well-being.

Courageous Questions

Making the decision to broaden the area of inquiry is the first step. Advisors will be managing to a way of life rather than "solving for a rate of return." To do it effectively, though, a deeper discovery process is essential.

Service Model

In order to follow through, advisors will need a systematic process in place to maintain contact and capture the details of conversations with clients.

By employing a service model, advisors can prescribe the type of service they want to provide based on the level of client and what level of service they demand. Key clients may expect to hear from advisors monthly, while all clients deserve a minimum standard of contact.

The new model will force advisors to learn new skills, operate beyond comfort zones and explore deeper connections with clients. What skills will advisors need to acquire to go the distance?

Experts

Advisors can either develop new skills, or when someone needs more support, refer clients to knowledgeable and skilled specialists. For example, when a client is committed to getting healthier, losing weight and becoming fit, refer him/her to professionals such as a physical trainer or nutritionist. If a client has a drug abuse concern, refer her/him to a specialist or counselor.

"We're burning daylight." —

Wil Anderson's catch phrase in the movie, *The Cowboys*

Contact

If advisors recognize these conversations as "seismic moments of truth," and actually *increase* the intensity of contact during times of struggle or uncertainty, advisors can be a transformational presence in clients' lives. Take the dialogue to a higher level and help clients redefine their sense of purpose. Help them meaningfully deploy their most cherished asset — their time — to pursue the experiences that are most precious to them.

Thinking along these lines will help advisors embrace the opportunity to deepen relationships with clients. By committing to acquiring new skills and altering their practice, advisors can evolve as the essential partner clients need.

The Network Profile

The path to discovery lies in the ability to insert oneself into a client's network.

We know that resounding experiences impact well-being. One client's amazing moment in time may not mean much to another client at a similar level of wealth and lifestyle. Advisors need to be able to deliver guidance in a more powerful and targeted way to each client whose well-being is essential. This means developing information about each client, creating a data repository that grows with experience and leads to deeper insights about each one. This way, by understanding clients' network influences and their lives, advisors' responses become intuitive, on-point and fulfilling to clients in a whole new way.

Beginning the Conversation

The client's network includes how he/she connects or values relationships within communities, families and vocations. An advisor who collaborates or supports a client's network will strengthen the relationship by building deeper connections around that client's values, intention and purpose.

How do you begin the conversation?

The framework on page 20 is designed to help advisors discover and gather information pertaining to a client's Network Profile. The questions are designed to help advisors **listen** to the answers of these two important questions:

1. Tell me about yourself, your family (as you define family) and your world.

2. Tell me more.

In truth, these two questions should be the only ones advisors need to open the door to a client's positive and negative life influences as it is a reflection of their life experiences. Advisors will soon see how positive influences in one's network can positively impact life and well-being. Conversely, negative influences, or an uneven balance of a positive network, can affect a client's outlook and detract from well-being.

Listening for Network Components

Advisors can elevate their understanding of the unique components of a client's network by *listening* versus asking questions from the grid below – i.e. in conversations with clients, the more advisors can be listening for the information, the sooner they'll be able to see a more complete picture of the client's network and how they can help to fully support their client's well-being.

Community	Family	Vocation
		
Philanthropy How do you think about giving back and by what means?	**Dynamics** Tell me how you define family and what it means to you?	**Avocation** What interest, skill or activity do you want to pursue more fully?
Faith/Beliefs What are the core values that guide your decisions in life?	**Blend** How do you define the fabric of your definition of family?	**Work Dynamics** How important is your work to your life, your priorities and your psyche?
Interests How do you define your primary interests in life? What are the most important interests you like to indulge in?	**Communication Styles** What are the ways you stay connected to what others are thinking and feeling?	**Learning** How do you like to learn and advance your interest and curiosity?
Neighborhood/Home Base In what environment do you feel truly at home in the world?	**Generations** How does the demographic texture of your family influence its values, priorities and beliefs?	**Transitions** What are the meaningful life transitions you have faced and will face in your life?

Conclusion

The bond between advisor and client invites an opportunity to engage in personal, meaningful discussions about clients' well-being. A substantial number of advisors aren't comfortable with the sound of this, though. Maybe it's because some haven't had training in coaching or counseling, and at first glance, cultivating client well-being appears to call for such skills.

We believe this is not the case. There's opportunity here for a wide range of personalities and skill sets. If an advisor's strong suit is closer to financial analysis than life planning, for example, that advisor can build a team that complements his/her capabilities in order to respond appropriately.

Advisors are in for a business-model evolution, one that will need to transform a culture and ultimately reset the value proposition. The most important point to remember is this: Enhancing client well-being fosters client loyalty by adopting a "pay-it-forward" strategy. When the vision for the practice is no less than enhancing well-being in every area of clients' lives, advisors add *value* at each step of the value chain. Clients will reward advisors with introductions to family and friends. Teams rise to the occasion and perform at a higher level.

Ultimately, advisors can have more meaningful and holistic relationships that exceed clients' expectations — relationships that redefine advisors' essential value in the lives of 21^{st} century clients.

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