ThoughtLab

Wealth and asset management 4.0

How digital, social, and economic shifts will transform the industry

Preliminary key findings, September 8, 2021

> “The global pandemic accelerated the deployment of new technology-led solutions that enabled financial organizations to ensure business continuity and remote-working management. The next challenge for firms is ensure true alignment with long-term technology and business strategy.
>
> **Joe Norburn, CEO, Recordsure**

Research background

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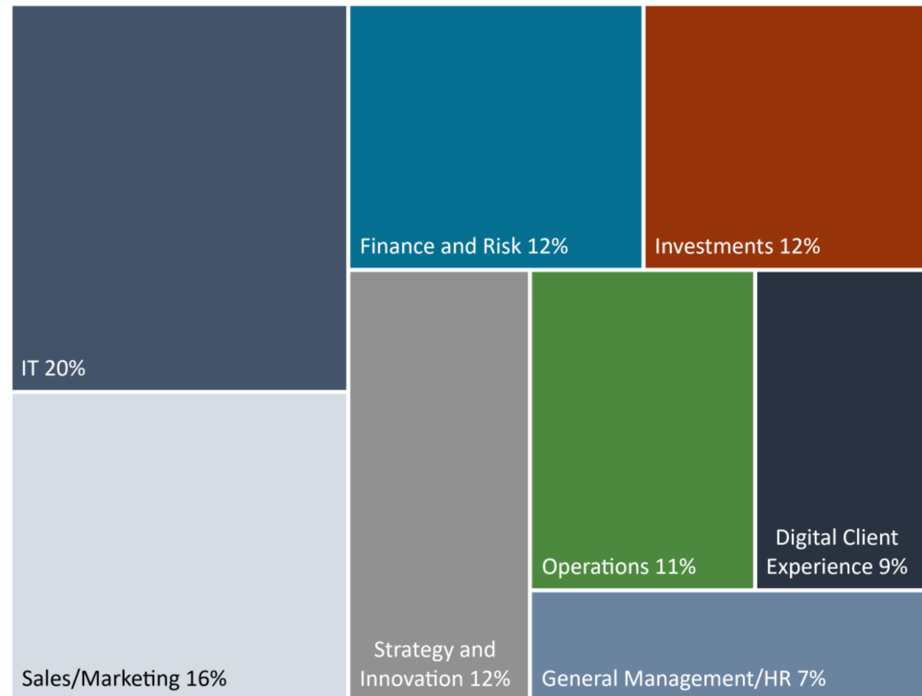
We surveyed 500 investment providers across three regions

A mix of providers by country, function, and type of firm

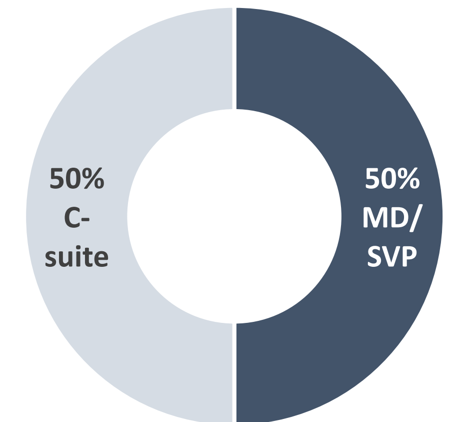
To analyze how investment firms are adapting their strategies, products, and business models to meet fast-changing investor expectations, ThoughtLab conducted a comprehensive CATI survey (computer-assisted telephone interviews) of 500 investment providers in the top investment markets around the world. The survey covered fifteen countries from three different regions: 31% of the providers came from Asia-Pacific, 30% from Europe, and the reminder from North America. Half of the respondents were C-level executives (50%), while the rest were at the managing director or senior vice president levels.

Countries surveyed
Asia Pacific 31%
Australia 5%
Hong Kong 6%
Japan 10%
China 6%
Singapore 4%
Europe 30%
Benelux 4%
Germany 4%
UK/Ireland 10%
France 5%
Switzerland 7%
North America 39%
Canada 11%
United States 28%

Respondents by function



Respondents by executive level



Our sample covered firms of varying types and sizes of providers

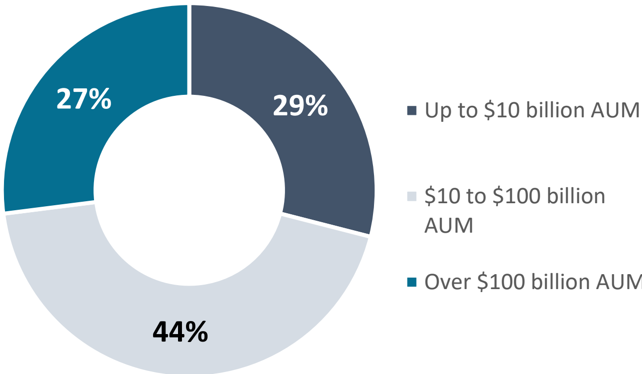
We surveyed executives from nine types of wealth management firms or divisions of firms. Investment advisory groups were the largest type of firm or division surveyed (26%), followed by retail asset management (14%) and broker-dealers (12%).

Most of the respondents (68%) worked in divisions that were part of a large diversified financial services company, either focused on asset management, banking, or insurance.

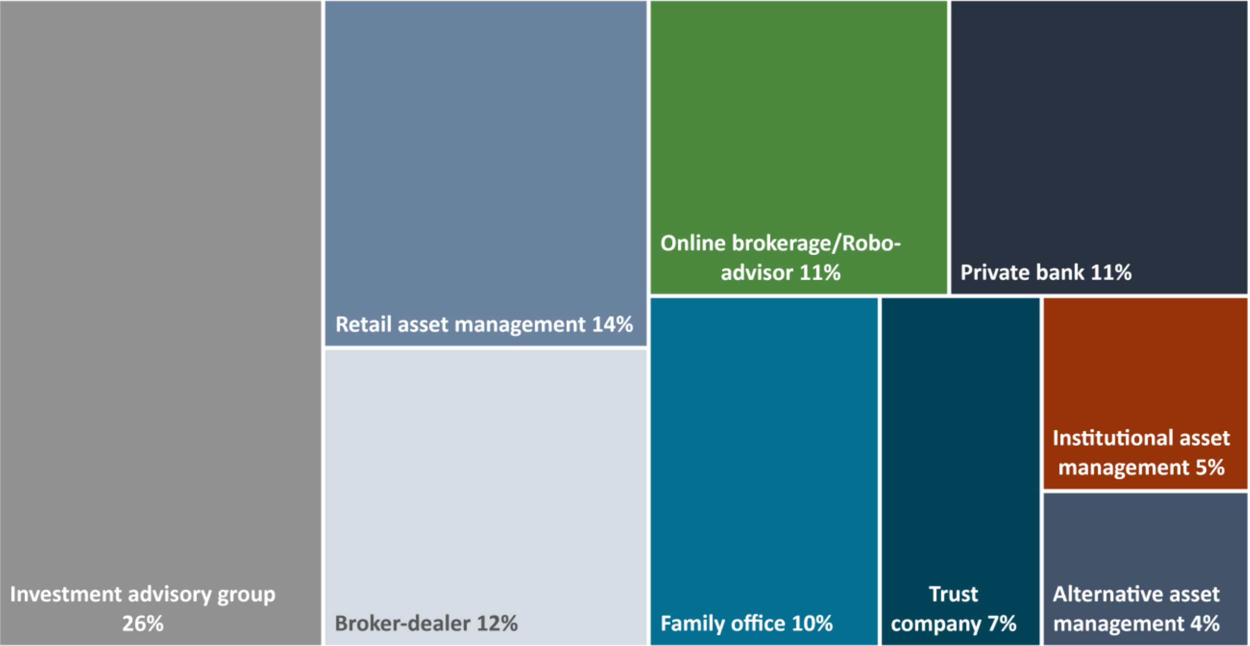
Assets under management by respondent companies ranged from $500 million to $2.5 trillion or more. Roughly a fourth of companies were managing assets up to $10 billion. Forty-four percent of firms reported between $10 billion and $100 billion, while the remaining fourth managed over $100 billion.

Most of the firms surveyed managed investment portfolios for individual investors.

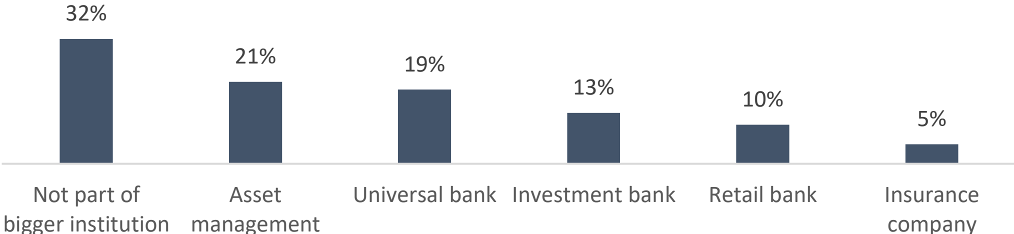
Companies surveyed by AUM



Types of firms or divisions surveyed



Companies surveyed by parent type



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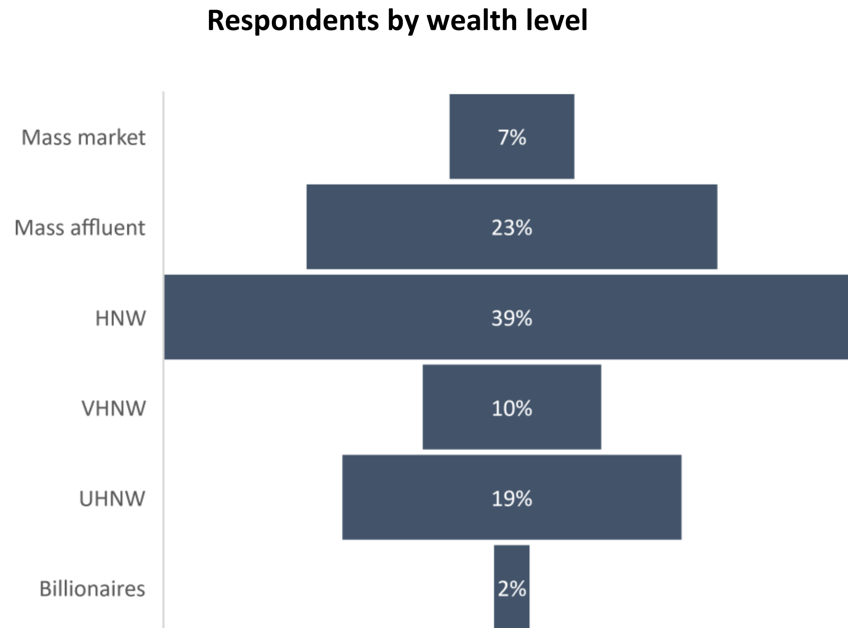
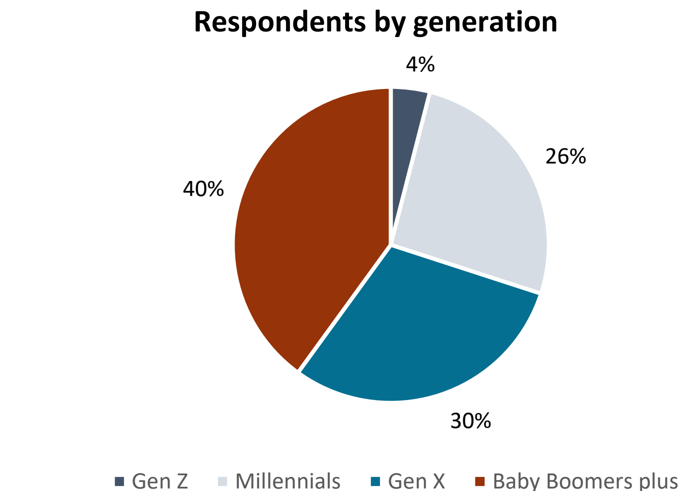
We surveyed 2,325 investors across the globe

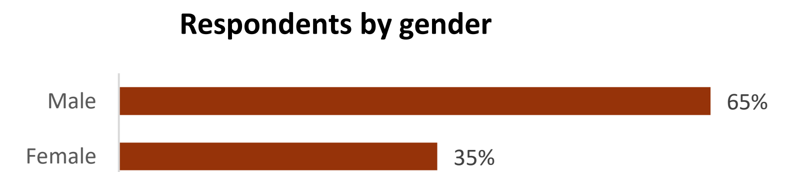
A rich mix of investors by wealth, age, gender, location, and other individual characteristics

To understand how well wealth management providers are meeting the needs and expectations of their customers, we conducted a survey of a cross-section of investors with varying wealth levels, ages, gender, and location. For the investor survey we covered four regions, adding the Middle East to APAC, Europe, and North America. By wealth level, the largest share were high net worth (39%), followed by mass affluent (23%). By age, the largest share were Baby Boomers Plus (40%), followed by Gen X (30%).

Countries surveyed
Asia Pacific 25%
Australia 3%
China 6%
Hong Kong 2%
India 4%
Japan 6%
Singapore 2%
Europe 29%
Benelux 3%
France 8%
Germany 8%
Switzerland 3%
UK 8%
Middle East 4%
Saudi Arabia 2%
UAE 2%
North America 42%
Canada 3%
US 39%







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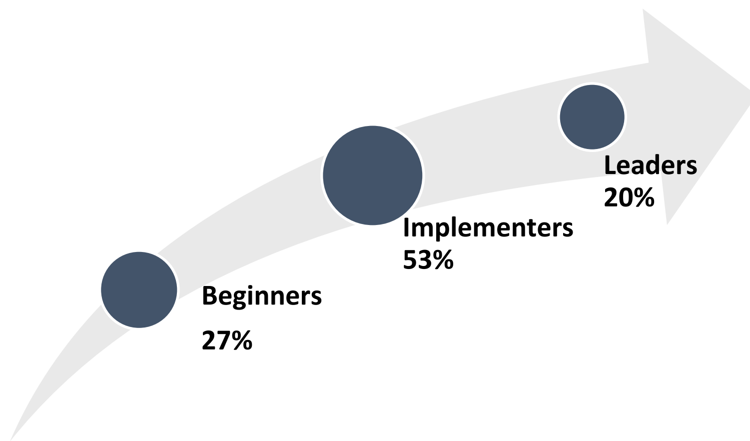
Maturity methodology

A prime objective of this research was to determine what constitutes digital leadership in the wealth and asset management industry.

To answer this question, ThoughtLab assessed firms using two key criteria: progress made on digital transformation across 13 business dimensions (provider study question 13) and return on investment in technology investments in specific business areas (provider study question 33).

Our economists then categorized the organizations into a bell curve of three maturity stages. More than half of the surveyed companies were implementers; the rest were beginners (27%) or leaders (20%).



Our digital maturity framework

We based the three maturity categories on responses to two questions: **Q13** (*At what stage of development is your company in the following areas of digital transformation now?)* and **Q33** (*For those areas where your firm has made significant investments, how would you rate the ROI that your firm has made on those investment areas?*) For Q13, we asked respondents to rate their progress in 13 areas:

- Automated processes
- Data management and analytics
- Interactive customer experience
- Advanced cybersecurity
- Digital compliance
- Digitally enhanced employee experience
- Innovation culture
- Modernized core IT
- Software deployment
- Use of exponential technologies

For the rating, we used the following definitions:

0 **Not considering** or not applicable.
1 **Planning stage:** Developing plans and building internal support, infrastructure, and a business case.
2 **Early implementation stage**: Starting to pilot and implement in some parts of the business.
3 **Mid-implementation stage:** Digitally transforming key parts of the business and seeing some performance improvements.
4 **Advanced stage:** Scaling digital transformation across multiple functions and across the enterprise, showing significant performance gains.

For Q33, respondents rated their ROI on significant technology investments in front-office and middle- and back-office areas using a four-point scale (negative, low, average, high).

Executive interviews

Sponsors

Hans Peter Wolf, CEO, Appway
Yoni Assia, CEO, eToro
Gauthier Vincent, Lead Wealth Management Consulting Partner, Deloitte
Jean-Francois Lagassé, Financial Services Industry Leader, Deloitte
Justin White, Principal, Deloitte
Karl Ehrsam, US Investment Management Leader for Risk & Financial Advisory, Deloitte
Melissa Cullen, Global Head of Strategy, Wealth and Retirement, FIS
Mark Little, Head of Identity Strategy, LexisNexis Risk Solutions
Nina Kerkez, Director, Consulting, LexisNexis Risk Solutions
David Donovan, Financial Services Practice Leader, North America, Publicis Sapient

Advisors and practitioners

Andrew D'Anna, Senior Vice President, Strategy & PMI, Charles Schwab
Ernie Cockrell, Founder & CEO, Cockrell Interests
Henning Stein, Global Head of Thought Leadership, Invesco
David Chao, Global Market Strategist, Invesco
David Gurtner, Senior Manager & Member, Management Board, Investec Bank Switzerland
Paul Killik, Partner, Senior Executive Officer, Killik & Co.
Sabrina Bailey, Global Head of Wealth Solutions, Refinitiv
Vinod Raman, Vice President and Director, Product and Operating Unit, Stash
Brie Williams, Vice President, Head of Practice Management, State Street Global Advisors
Cary Rubinstein, Managing Director, Marketing, Union Bank
David Wilson, SVP, Senior Director, Group Strategy and Transformation United Overseas Bank
Jeff Egan, Partner, Vesta

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> "We are living through a period of disruption that will ultimately redefine the financial services industry. Not only has COVID accelerated digital transformation, but it has also heightened environmental concerns and awareness of social justice, equality, and inclusion. These personally held beliefs can no longer be kept distinct from business."
>
> **Melissa Cullen, Global Head of Strategy, Wealth and Retirement, FIS**

The new digital and social agenda

Meeting the needs of investors (and shareholders) through digitization

40% For 40% of investors, digital access became a higher ongoing priority after the pandemic.

77% of investors use the provider's website as the predominate channel for interaction today,

but most investors want to use smart phones in the future. **89%**

49% of investors see a simple, intuitive, digital experience as the top criteria for evaluating providers.

73% of providers have made major progress on interactive CX.

Most have done the same with automating internal processes. **57%**

48% of advisors see digital CX as the main way they can differentiate their firm from competitors.

22% Firms will be increasing their total IT spending 22%, going from 6.9% of their revenue to 8.4%.

Almost half of all firms are seeing increased revenue from digital transformation now. **47%**

45% of firms expect improved profitability in the next two years from digital transformation.

33% of firms expect enhanced customer experience and retention in the next two years.

In today’s new normal, the rules of the road have changed

Myth #1
Digital is for the young and mass market

Our research shows the opposite: channel preferences are largely the same for ***millennials*** and the ***oldest and richest investors***.

Channel preferred in the future	UHNW and billionaires	Baby Boomers	Millennials
Provider's mobile app	89%	89%	89%
Provider's website	74%	67%	62%
Virtual conferencing	63%	63%	65%
Phone calls	50%	48%	40%
Face-to-face meetings	41%	47%	46%

Myth #2
Millennials only want to do things digitally

Our study shows that **46%** of ***millennials*** prefer face-to-face meetings and **40%** prefer phone calls.

Myth #3
Younger generations care more about social and sustainability issues

Only **10%** of ***millennials*** are planning to invest in green bonds over the next two years, vs **15%** of ***boomers***. **22%** of ***millennials*** plan to invest in ESG funds, vs **32%** of ***boomers***.

Myth #4
The very rich care less about ESG goals

Billionaires plan to invest much more in areas that seek to deliver environmental, social, and governance progress.

Investment	Billionaires	Average
ESG investing	61%	34%
Investing in green bonds	50%	13%
Investing in ESG funds	36%	27%

> "The biggest disruption to wealth and asset management firms is the digitization of the industry. And COVID-19 gave that disruption a fillip. It's a global phenomenon that made clients much savvier about all things digital.
>
> **Paul Killik, Partner, Senior Executive Officer, Killik & Co**

Investor needs in the pandemic era

The pandemic was a watershed event for investors

Investment views shifted

The pandemic made risk mitigation a top goal for half of investors, while raising concerns about the future economic, regulatory, and tax landscape.

Four out of 10 investors are now more focused on active investing, holistic financial planning, and finding new source of returns. Greater attention to social issues during the health crisis has made 20% of investors keen to invest for the social good.

Relationships changed

More than a third of investors relied more on advisors and 30% became more comfortable with video calls and digital tools—a trend likely to persist.

In other ways, the pandemic hurt relationships, notably where personal service was inadequate. And worries about risks and performance caused more than a quarter to distribute accounts to more firms; for billionaires, it was twice that number (50%).

Digital became an imperative

Digital access became a higher priority for 40% of investors and enabled them to spend more time reviewing their finances and investments.

Investors prioritized succession planning, especially billionaires (45%), and included family members in more wealth decisions. Fees came under review, with about 4 out of 10 willing to pay fees for advice, and a third reevaluating what they pay.

Investment views	% citing
Risk mitigation & diversification is a key objective.	50%
More concerned about regulatory & tax changes.	49%
Moved from passive to active investment management.	42%
I am more interested in holistic financial planning.	42%
Finding new sources of returns is a larger priority.	38%
I am more interested in investing for the social good.	20%

Relationships	% citing
My advisor has found new ways to engage with me.	46%
Relied on my advisor for ongoing support.	37%
Became more reliant on guidance from advisor/provider.	36%
Am at ease working with through video/digital tools.	30%
Distributed my accounts to more firms to mitigate risks.	27%
Poor personal service hurt my advisor relationship.	24%

Behaviors and fees	% citing
I include family members more in wealth decisions.	44%
I am more willing to pay fees for advice.	41%
Digital access is a higher ongoing priority.	40%
I spend more time with my finances & investments.	38%
I prioritize succession planning.	33%
I am reevaluating my wealth management fees.	32%

IQ11. Which, if any, of the following statements about the impact of the pandemic on your investment attitudes and behaviors do you agree with?

Wealth management providers are rushing to meet changing investor expectations

The pandemic has accelerated the move to a more socially aware, digital-first marketplace, marked by rising competition, regulatory pressures, and economic uncertainty.

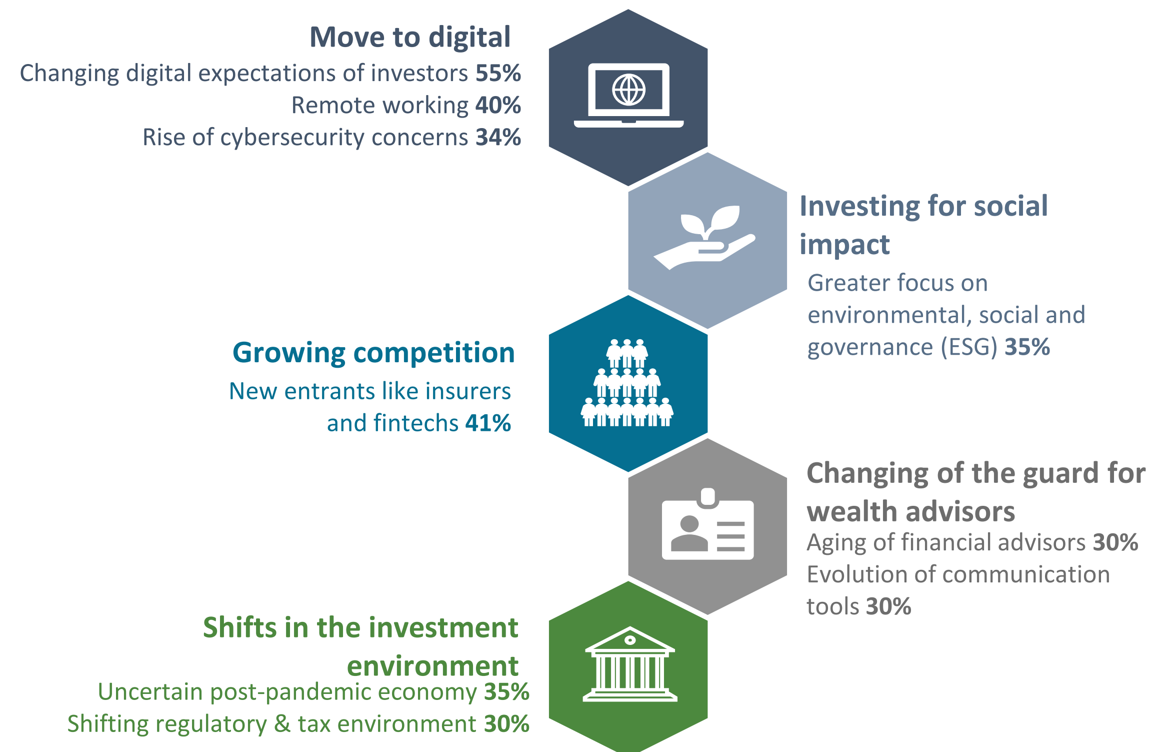
Providers recognize the pandemic's impact on investors. Over half cited the changing digital expectations of investors (55%), increasing reliance on remote working (40%), and greater data security and privacy concerns (34%). Providers also understand the need to focus on non-financial factors like ESG, with 35% investing for social impact over the next two years.

The shift to remote working is growing fastest in Asia Pacific, a region that was first hit by the pandemic and had to quickly transition to online work. Social impact investing will be a priority particularly in Europe, an epicenter for social and environmental regulatory activity. Cybersecurity has been a great concern in North America, particularly in the US, where the FBI report a 300% rise in cybercrimes since the outbreak of COVID-19.

Top three market trends by region

APAC	Europe	North America
Digital expectations 54%	Digital expectations 52%	Digital expectations 57%
Remote working 46%	Focus on ESG 44%	New entrants 39%
New entrants 41%	New entrants 43%	Cybersecurity concerns 38%

Top trends transforming the wealth industry



"Every company is going through digital transformation, and it will continue forever. As technology gets more sophisticated, wealth management firms will find new ways to understand their clients and serve them better. Every side of the business will go through digital transformation, from onboarding and transactions to wealth management advice.

Cary Rubenstein, Managing Director, Marketing, Union Bank

PQ8. What major wealth management industry market trends do you believe will have the greatest impact on your business over the next two years?

Four key megatrends remaking the wealth industry

Advances in technology have allowed firms to democratize their wealth management advice, reaching new clients who demand the convenience of digital solutions.

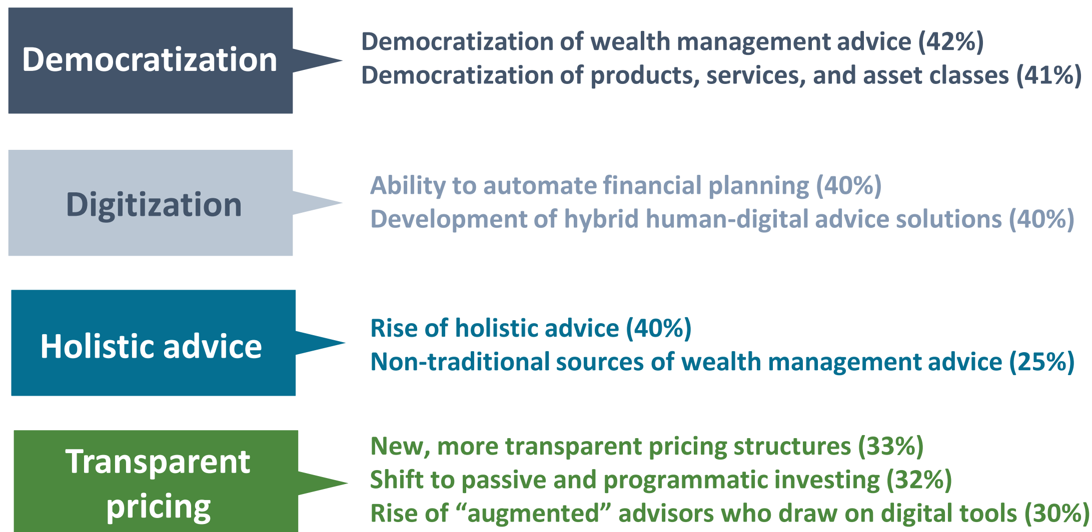
Four out of ten firms are democratizing their advice, their products, services, and asset classes. To meet the growing digital demands, 40% are also automating their financial planning and developing hybrid human-digital advice solutions. Advisors will also focus on getting to know their clients and developing stronger relationships to offer holistic advice (40%).

The democratization of wealth management is happening faster in APAC, fueled by the region's acceptance of digitization and the emerging middle class that wants the same opportunity as the rich. In North America, the pandemic acted as a catalyst for digitization. The region is ahead in financial planning automation (44%) and hybrid human-digital advice (44%).

"Advice is moving to the center of the relationship between financial firms and customers. It is the glue that is bringing everything together. It's bringing wealth to the center of consumer finance and advice is becoming ubiquitous. It's holistic. It's not just investment or just banking or just lending or just insurance or just this or that. It's bringing everything together."

Gauthier Vincent, Senior Consulting Partner, Deloitte

Four shifts reinventing wealth management



How these trends are playing out across regions

Trend	APAC	Europe	North America	All
Democratization of wealth management advice	48%	40%	39%	42%
Democratization of products, services, asset classes	46%	40%	37%	41%
Ability to automate financial planning	35%	40%	44%	40%
Development of hybrid human-digital advice	42%	33%	44%	40%
Rise of holistic advice	42%	35%	42%	40%
New, more transparent pricing structures	23%	37%	37%	33%
Shift to passive & programmatic investing	35%	32%	30%	32%
Rise of "augmented" advisors	35%	26%	29%	30%
Non-traditional sources of advice	28%	23%	24%	25%
Shift to best interest & fiduciary standards	15%	16%	20%	17%
Rise of crypto currencies/blockchain-enabled assets	11%	7%	12%	10%

PQ9. What do you consider to be the most important changes affecting wealth management products and services?

On the trail for growth

As investor views, needs, and loyalties shift, competition for the wallets of the rich will heat up.

Most wealth providers will focus on going upmarket, while they keep their plans for the mass affluent in a holding pattern. The number of firms going after billionaires will almost double, doubling from 11% to 20%. Most companies (over 60%) will sharpen their focus on the high-net-worth tier.

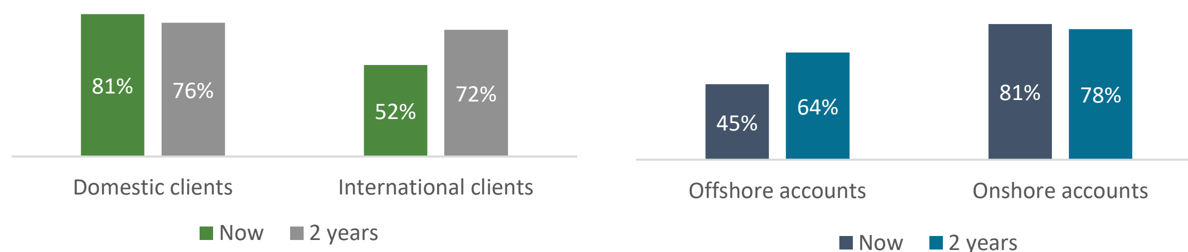
Nine out of ten providers will set their sights on Gen X, both now and in the future. Attending to this underserved generation is right, since Gen X are expected to have twice the wealth of millennials by 2030 ($22 trillion vs. $12 trillion according to Forbes).

Baby boomers will grow the most interest in two years, rising by 17 ppt to 80%. Almost three times the number of providers will focus on the silent generation in two years, growing from 6% now to 16%. Despite forecasts that millennials would wield greater wealth than the silent generation by 2020, the latter still has more wealth. Given their propensity to save and improvements in longevity rates, the silent generation may hold onto their wealth longer.

The number of firms focusing on beneficiaries and children will almost double to 46% in two years. Firms are preparing for the great generational wealth transfer and are seeking to retain wealth among children often with different wealth attitudes and behaviors. While retirees have not been a target for most providers, the focus on this segment will almost double in two years, from 10% to 19%.

Firms also are thinking outside their borders. International clients will grow from 52% to 72%.

Key areas of focus by types of clients and accounts



Key areas of focus for providers

Asset amount	Now	2 years	Diff.
Mass market ($25k-$100k)	18%	12%	-6%
Mass affluent ($100k-$1m)	35%	36%	1%
High net worth tier one ($1-5m)	59%	62%	3%
High net worth tier two ($5-10m)	49%	66%	17%
Very high net worth ($10-30m)	34%	56%	22%
Ultra-high-net-worth ($30m-$1b)	24%	35%	11%
Billionaires (over billion)	11%	20%	9%

Age	Now	2 years	Diff.
Generation Z (under 25)	4%	7%	3%
Millennials (25 to 40)	61%	66%	5%
Generation X (41 to 56)	93%	96%	3%
Baby Boomers (57 to 75)	63%	80%	17%
Silent generation (Over 75)	6%	16%	10%

Investor type	Now	2 years	Diff.
Beneficiaries of existing clients	24%	46%	22%
Specific religious groups	35%	48%	13%
Retirees (or planning to retire)	10%	19%	9%
Employees of specific companies	54%	63%	9%
Women	19%	26%	7%
Entrepreneur/ Business owner	55%	62%	7%
Specific cultural/ethnic groups	21%	25%	4%
Physicians/Dentists	14%	18%	4%
Corporate executives	77%	79%	2%
Recently divorced	9%	10%	1%
Professional athletes/entertainers	9%	9%	0%

PQ7. Please tell us your organization's key areas of focus now and over the next two years for the following groups of investors.

Case study: eToro

Leveraging the rise of the millennial investor*

Yoni Assia
Founder and CEO
eToro

Israel-based fintech eToro is a great example of a firm that is riding the crest of the online investment wave, taking advantage of the rise of the millennial investor. In March 2021, after a year of phenomenal growth, eToro went public through acquisition of a SPAC in a deal that gives the company an equity value of $10.4 billion. "It took us 14 years to become an overnight success," says CEO Yoni Assia, referring to the company's 2007 founding. "2020 was a significant year for eToro. From 2007 to the end of 2019, we added half a million funded accounts. In 2020, we added another half a million funded accounts, then an additional half a million in 2021." In total, the service has 20 million registered users.

eToro started with "social trading" portfolios, which shadow the investments of the platform's most successful traders, but also offers trading in equities (outside the US) and crypto currencies. "We've seen an acceleration of interest in financial markets from retail investors all around the world," says Assia. He characterizes March 2020 as an inflection point for eToro and online retail trading generally, especially in crypto currencies. "It was a generational buying moment," he says. "With zero interest rates, government grants, and an unprecedented amount of money printing to fund them, it led to a discussion by an entire generation about what is the value of money." As a result, Assia says, people began buying Bitcoin and other crypto currencies.

Meanwhile, the shift to fractional shares and free stock trading led to a change in mindset. "Suddenly an entire generation realized that with new technologies and mobile apps, they can open an account in five minutes with $50 and start trading fractional shares," says Assia. "The friction to be able to buy stock or crypto was significantly reduced from what it was before."

Power of the Millennials

The result, says Assia, is what he calls a "magnificent, romantic manifestation" of the democratization of wealth management and the growing power of the Millennial retail investor. "Over the next 10 years, a huge cohort of people are going to amass tremendous amounts of wealth. They started realizing that their voices can actually be heard in the markets."

He cites not only stories like GameStop, but also, AMC, the movie theater chain, which saw its stock dumped by financial institutions and professionals because of the pandemic. Retail investors, however, thought otherwise, on the premise that they themselves would be going back to movie theaters at the pandemic's end, Assia points out. AMC has raised $1.1 billion and seen its stock price rise by 10 times—and its investor base shift from a couple of dozen institutional investors to more than 4 million retail investors. This has created a need for an entirely different type of investor communication—for both companies and wealth managers.

"The future is, is mobile, digital and social," says Assia. "Firms that do not know who their consumers are, who do not have the data on what their consumers want, and who do not engage with their consumers through mobile, digital, and social channels will not be those managing over a trillion dollars 10 years from today. Those firms must either transform or die."

**Pending approval. Not for publication.*

For many providers, ESG is a game-changer

Wealth providers understand the growing importance of social impact investing to their clients: 4 out of 10 report that senior management is committed to social and cultural values, both in operations and investment.

Firms believe that clients increasingly expect them to be knowledgeable about ESG and care about the provider’s stance. Part of the reason that ESG is popular is that clients, according to 31% of firms, believe they can achieve high returns with ESG, and more than one-third believe their clients are willing to accept lower returns in any case. Most firms believe ESG funds generally do a good job in delivering on goals, despite controversies about transparency and metrics. However, about a quarter of firms think that ESG investing will decrease if the market falls. The biggest believers in ESG are family offices (48%), private banks (43%), and trust firms (40%), which are busy creating ESG products. European firms are generally the most ESG driven, particularly in France, the UK, Switzerland, and Germany. Those in Japan and the US also score high; others are less committed.

Statements about ESG investing	% agreeing
Clients expect us to be knowledgeable on social impact investing & offer ESG products & services	41%
Our senior management is committed to inclusion & diversity & sensitive to cultural issues	41%
Clients care about our firm's stance on environmental & social policies	39%
ESG investing is here to stay, & it will grow significantly in the years ahead	36%
Clients are willing to accept lower returns in exchange for meeting sustainable investment goals	35%
Clients believe that they can achieve higher returns through their ESG investments	31%
Clients of all age & wealth levels are interested in ESG investing	27%
Clients care about whether ESG products meet industry-standard fund classifications	24%
Interest in ESG investing will decrease if the broader market begins to decline	24%
Most ESG funds/ETFs do not do a good job in selecting companies that truly deliver on ESG goals	12%

Most ESG driven	Senior management commitment	Clients expect ESG knowledge	Clients care about stance	ESG is here to stay
Japan	51%	47%	29%	45%
France	52%	43%	43%	30%
United States	44%	45%	38%	37%
UK/Ireland	42%	56%	36%	30%
Switzerland	43%	35%	32%	46%
Germany	50%	32%	32%	41%
Middling on ESG				
Canada	29%	43%	45%	28%
Hong Kong	21%	28%	45%	52%
Singapore	50%	32%	32%	32%
Australia	24%	28%	64%	32%
Least ESG driven				
Benelux	53%	16%	32%	21%
China	32%	32%	42%	26%

PQ24. How much do you agree with the following statements about ESG?

What experts say about the future of ESG investing

Building ESG into the fabric of your culture and organization

Olivia Fahey, Head of Culture, TCC Group

"Firms need to fully embed ESG considerations into their strategies rather than treating ESG as an add-on. With organizations coming under more pressure from clients, regulators, employees and investors to demonstrate robust ESG strategies, future-oriented firms are already incorporating ESG into their organizational culture to their advantage."

"Socially responsible investing is an increasing priority for investors. Younger investors are particularly concerned about investing responsibly, and so this new trend is set to influence wealth and asset management firms' culture and their approach to investment—especially as wealth begins to transfer from baby boomers to millennials through inheritance. This shift has been growing in importance over the last few years, but it has been brought into sharper focus more recently by topics like climate change, the BLM movement, and the pandemic."

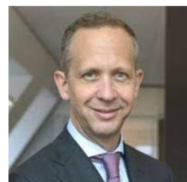
Growing impact of ESG on the wealth industry

Sabrina Bailey, Global Head of Wealth Management, London Stock Exchange Group

"In the past, the prevailing mindset was that ESG investing was no more than corporate altruism. This perception has steadily changed, with investors increasingly viewing ESG investing as central to their investing strategies and wealth firms differentiating their services using ESG criteria."

"This trend is set to continue, and we expect ESG-related considerations to have ongoing and ever-greater implications for the wealth industry. We see tremendous opportunity in offering access to complete data that is transparent, granular and standardized."

"There is also an urgent need for detailed analytics to deliver actionable insights with intuitive visualization that helps market participants make sense of data. Furthermore, ongoing education will remain crucial as investors continue to define what good governance looks like."



ESG regulations in Europe

Jean-Francois Lagassé, Financial Services Industry Leader, Deloitte

"New regulations are going into force in Europe this year. Banks and insurance firms will need to report on their compliance with ESG rules. The regulations are still broad and vague, so there will be considerable greenwashing until the regulators make the rules more precise. But regulators will start to enforce these rules, and banks and insurance companies will get fined. One country at the forefront of ESG regulation has been France. ESG regulation is forcing banks to do ratings of their loan portfolios. Firms that do not comply with ESG legislation will see their borrowing rates go up."

Differentiating from the pack through green initiatives*

Cary Rubenstein
Managing Director
MUFG Union Bank

To succeed in today's ultra-competitive wealth management market, firms must innovate to differentiate themselves from the pack. This is something that MFUG Union Bank, the US subsidiary of Japan's largest bank, understands. ESG investing—an area increasingly important to customers since the pandemic—is one area that Union Bank's wealth management division has targeted, according to Cary Rubinstein, managing director, marketing. "ESG is becoming table stakes, there's no question about it," he says. "Customer demand is increasing in this more socially conscious world."

Union Bank tackles ESG from several angles. One is in its own corporate behavior and lending. MUFG has committed to participating in CDP (formerly the Carbon Disclosure Project). CDP is a project through which institutional investors from around the world work together and urge corporations to disclose their strategies on climate change as well as detailed data on their greenhouse gas emissions. MUFG has also committed to gradually decreasing the balance of its exposure to coal-fired power generation projects.

In the Americas, MUFG provides finance for sustainable projects, and through last year, has cumulative provided more than $50 billion for environmental finance, for projects including green affordable housing, solar and wind energy, agricultural operations that conserve natural resources, green and social bonds, and sustainability linked bonds and loans, mass-transit systems, and public water infrastructure.

Another approach MUFG takes is tailoring portfolios to what investors want, starting with exclusions of companies in certain businesses, and including "impact" investing in companies whose mission is to make environmental or social improvements. "We try to make it as flexible as possible to accommodate what our clients want," says Rubenstein.

Innovation: Green Deposits

But Union's biggest innovation is a new product it has created called Green Deposits, launched in January of this year. While it's essentially a banking product—a type of deposit account that remains under the control of the investor—it is offered through the wealth management arm, says Rubenstein, "Green Deposits give investors the ability to put surplus liquidity into an interest-bearing product, one designed to fund our own ESG financial commitments," he explains. These include MUFG's global sustainable, green, and socially responsible lending.

To develop the product, the bank collaborated with Sustainanalytics, an independent ESG research, rating, and analytics firm owned by Morningstar. The firm does an annual review of the Green Deposit portfolios to ensure alignment with the framework the MUFG developed, as well as industry best practices and standards.

"Our partnership with Sustainanalytics makes it possible for us to be very clear with clients about how their money will be used—for things like renewable energy, reforestation, or clean transportation," says Rubenstein. "This is a great way for an individual to make a greater difference than they otherwise would be able to do on their own."

**Pending approval. Not for publication.*

Digitizing compliance to cope with rising regulatory complexity

With greater regulation on the horizon, digital leaders are using digital innovation to automate compliance controls and make them more intelligent and agile.

Providers expect the greatest regulatory headwinds from Japan, Canada, Benelux, Australia, US, and France. For example, in the US, major financial regulatory changes are expected as the new Biden administration sets its policy agenda. In the SEC's 2021 Unified Agenda of Regulatory and Deregulatory Actions, SEC Chairman Gary Gensler said: “To meet our mission of protection investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, the SEC has a lot of regulatory work ahead of us.” Potential areas include ESG issues, transparency, data security and privacy, fintech, and cryptocurrency.

To cope with rising regulations, firms will want to follow the example of digital leaders. Almost 6 out of 10 plan to digitize, automate, and integrate compliance controls in two years, with about half improving data security and privacy governance. Many also plan to automate oversight controls and data lineage, apply AI to monitor regulatory trends, and build agile systems to respond to them. Of course, leaders also recognize the vital role that staff plays in ensuring compliance, so they will also focus on behavioral assessments, compliance training.

Top 10 regulations on the horizon

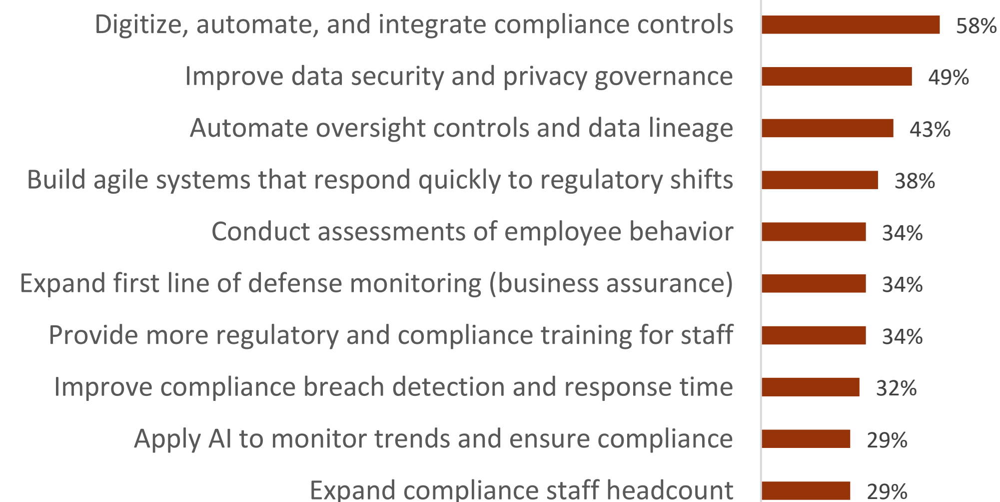
1. 55% Data privacy
2. 50% Cybersecurity
3. 40% Fintech-related regulation
4. 36% Investor protection
5. 33% Anti-corruption
6. 33% Risk management
7. 32% KYC/AML
8. 31% Conduct & control
9. 30% Individual accountability
10. 25% Open data and open APIs

Where regulations will increase

Country	Ranking*
Japan	5.58
Canada	5.57
Benelux	5.48
Australia	5.40
US	5.32
France	5.32
UK/IRL	5.22
China	5.21
Switzerland	5.14
Hong Kong	4.99
Germany	4.61
Singapore	4.60

*Based on cumulative percentages

How digital leaders will respond to changing regulations over next 2 years



PQ11. Over the next two years, in the locations that you do business, where do you expect regulations to increase? PQ12. What are the main things that your firm plans to do over the next two years to respond to changing regulations and compliance policies?

What experts say about rising regulation

Compliance by design: Building compliance into automated workflows

Hans Peter Wolf, Founder and CEO, Appway

"With the increasing pressure from domestic and cross jurisdictional regulators, the only way really to meet the array of regulatory requirements is to put digitalization at the core of what you do. Companies should start by digitalizing workflows. That is only way to manage complexity and survive with a meaningful cost income ratio. We call it 'compliance by design'—making workflows transparent and automatically able to comply with different rules and regulations."

Driving competition and investor protection through regulation

Gauthier Vincent, Lead Wealth Management Consulting Partner, Deloitte

"Regulators have been consistently open to fintechs, in part to foster innovation, but also to drive more competition. It's been a thorn in the side of the large incumbents. On the flip side, regulators are very concerned about the suitability of investments and protecting investors, especially retail investors, against themselves. And you cannot blame the regulators for that. When you see the wide gyrations in pricing for some stocks just because a lot of retail investors are getting into them, you know this is not going to end well."

The data challenge: Capturing product information across the continuum

David Gurtner, Senior Manager & Member, Management Board, Investec Bank Switzerland

"We see a huge challenge in data management from regulatory requirements. For example, the implementation of MiFID in the European Union has led to a drastic increase in the need for data retention. Not only do we need to gather more data on our own products, but we also must process and manage data from other products. For example, we now have to declare the fees charged by a third-party fund manager and keep that data."

The elephant in the room: Meeting fiduciary standards

Karl Ehrsam, US Investment Management Leader for Risk & Financial Advisory, Deloitte

"In the US, the biggest regulatory impact will come from fiduciary standards, like best interests, as well as the new DOL exemption. The Commission is pressing on wealth managers on how they are meeting best interest obligations. They want more evidence that different reasonably available options were presented to a client. Wealth management firms will need to provide more robust solutions to clients than they have in the past, and they will need evidence certifying that discussion."

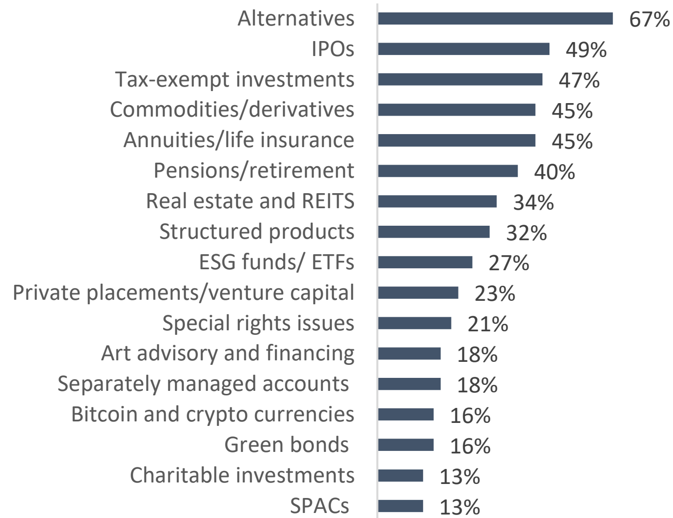
Investors are expanding into a broader portfolio of products…

In a bid to gain alpha, clients across the spectrum are seeking more specialized products. Their wealth providers are scrambling to accommodate them.

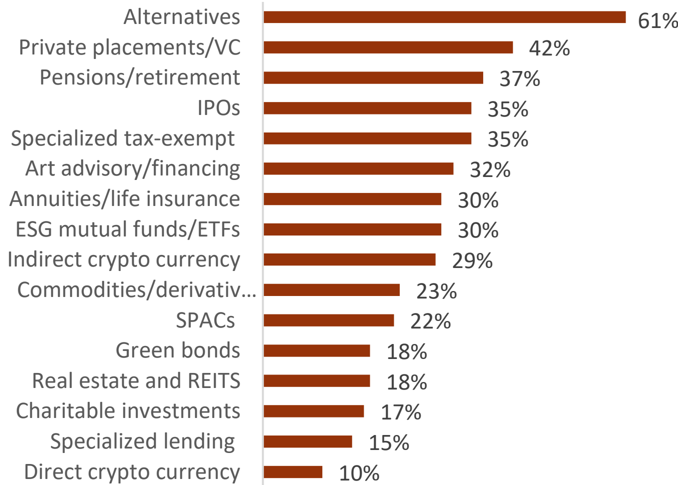
Currently, about three-quarters of investors use actively managed mutual funds, but in two years, this share will drop slightly, while investments in passive funds and individual securities will grow. But as investors hunt for better returns, more than two-thirds plan to be using alternative investments such as hedge funds and private equity over the next two years. Investors are also looking to boost alpha through specialized products like IPOs, tax exempt investment, commodities and derivatives, REITs, and structured products. And as the population ages, pensions, annuities, and whole life products that offer longer-term tax-sheltered returns are likewise moving up the priority list.

Providers are acting on meeting these needs. Almost two-thirds of providers plan to offer alternatives over the next two years, and around 4 out of 10 will also offer private placements or venture capital opportunities packaged to reach a wider range of clients. Offerings are generally in line with what clients want, but in a few areas, providers could do better. For instance, almost half of investors plan to use commodities or derivatives, while less than a quarter of providers plan to offer them. A similar proportion of investors expect to invest in annuities, while less than a third of firms plan to offer these investment vehicles.

% of investors planning to use products in 2 years



% providers planning to offer products in 2 years



% investors using traditional products now and in 2 years

Products	Now	2 years	Diff.
Active mutual funds	74%	68%	-6%
Individual bonds	31%	39%	8%
Passive funds/ETFs	30%	39%	9%
Individual stocks	30%	37%	7%

"Wealth management providers are seeing that their customers want to diversity their investments in new areas like commodities and cryptocurrencies."

David Donovan, Financial Services Practice Leader, North America, Publicis Sapient

PQ22. Which of the following investment products will your firm be starting to offer or continue to offer in two years? IQ27. Which of the following wealth management products and services will you start to use or use more over the next two years?

…and a wider set of wealth management advisory services

As the demand for personalized, goal-based planning continues to grow among clients, firms are widening their portfolio of wealth and asset management services.

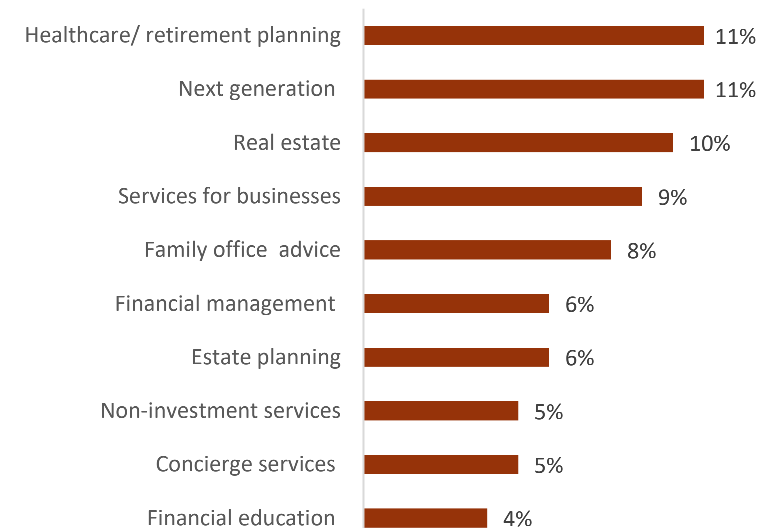
More than half of all firms plan to offer goals-based planning over the next two years and, as a result, they will also add more ancillary services like business advisory, legal advice, real estate services, completion of financial administrative tasks like bill-paying, estate planning, and tax planning. This is largely in line with the services investors are most using now, with some exceptions. Almost half of investors are looking for advice on non-investment financial services like insurance and banking, while only about a quarter of firms will offer insurance services and fewer will offer lending.

Similarly, almost half are using day-to-day financial management services, while only a quarter of firms plan to offer them over the next two years. The biggest growth areas that firms should be looking to boost will be in healthcare/retirement planning and next-generation services.

Services providers plan to offer	% citing
Goals-based financial planning	58%
Business advisory services	41%
Legal advice	31%
Real estate investor services	29%
Estate planning	25%
Administrative financial tasks	25%
Insurance services	25%
Advanced tax planning	24%
Trust services	19%
Lending for individuals	19%
Lending for entities	18%
Family office admin.	15%
Financial education	14%
Guidance on philanthropy	14%
Concierge services	10%
Healthcare support	4%

Services investors most use now	% citing
Personal financial budgeting & planning	56%
Advice on non-investment financial services	49%
Day-to-day financial management	47%
Tax planning	41%
Holistic advice/coaching on life goals	39%
Planning & financial services for businesses	37%
Estate planning	35%
Financial education & training	28%
Investing in real estate	28%
Healthcare, aging, & retirement planning	22%
Planning & financial services for businesses	37%
Next generation services	21%
Concierge services (travel, etc.)	19%
Access to loans	13%
Family office set-up & governance advice	11%
Guidance on philanthropy	9%

Top services investors will use more in 2 years (% pt. growth)



PQ23. Which of the following services will your firm be starting to provide or continue to provide as part of your wealth management offering over the next two years? IQ28. Which of the following financial planning and specialized services are you using now, and which will you start to use or use more over the next two years?

Investors will look outside of their current relationships to fill their needs

In their hunt for new products and services, and better returns, many investors will add providers, particularly as their wealth increases.

Currently investors typically have around two providers. The number increases with wealth level; for example, ultra high network and billionaires often have three or more. Most investors will be maintaining this number of relationships in the future, but many will be adding to them. Almost half of Gen Y and Millennial respondents plan to add providers as they become wealthier.

Diversification of risk is the main reason for adding accounts, particularly for the ultra rich. But it is also clear that investors want fresh products and services, better performance, and lower costs. This presents opportunities for providers that can meet those requirements to grab market share.

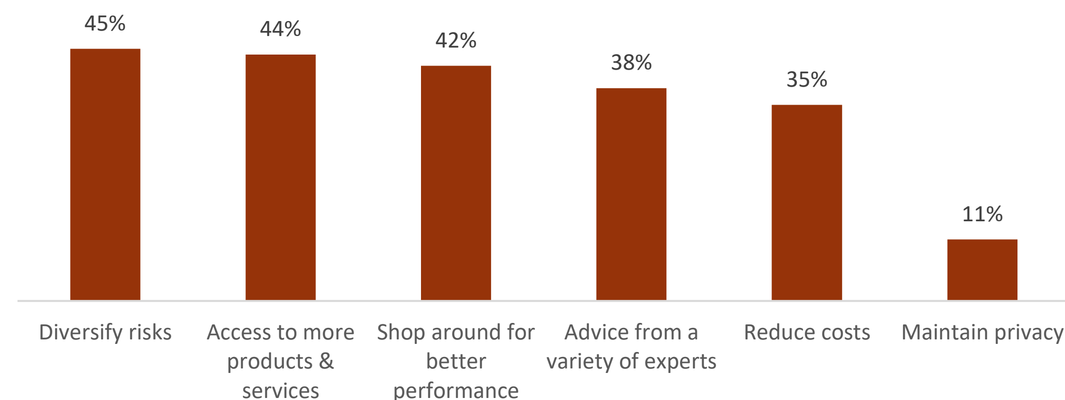
Number of providers investors work with now

Number of providers	Mass market/ Mass affluent	HNW	VHNW	UHNW	Billionaires	Total
1	38%	37%	25%	26%	23%	34%
2	51%	46%	42%	32%	32%	44%
3	9%	16%	25%	25%	18%	16%
4	1%	1%	7%	14%	16%	4%
5	0%	1%	2%	2%	11%	1%
Prefer more providers in the future	41%	42%	47%	39%	39%	42%

Fewer or more providers in the future?

Preference	Gen Z	Millennials	Gen X	Boomers & beyond	Total
Prefer fewer provider	3%	5%	7%	5%	6%
Stay with the same number	49%	48%	49%	60%	53%
Prefer more providers	47%	47%	44%	35%	42%

Reasons to prefer more providers



IQ15. How many providers do you currently work with and what are your preferences for the future IQ15d. Why do you prefer more providers? IQ16. Is your primary relationship with (or loyalty to) your advisor, your advisory team, or your provider/firm?

Investors are likely to switch to follow their advisor

Investors often have more loyalty to their advisors than to the firm—which adds to the market churn. But that is only one of the many reasons that investors switch providers.

The likelihood of investors leaving a firm to follow advisors is high—and almost two-thirds higher for the ultra rich and billionaires. Indeed, loyalty to advisors is particularly strong with billionaires, one of the most coveted investor segments. Loyalty also increases with age. Baby boomers and millennials are most likely to follow advisors, and men are more likely to stray than women.

One-third of investors changed providers over the last year—and 55% of billionaires did so. But they do so for reasons other than just following their preferred advisors. Over half switched to improve their investment performance, while others wanted a broader range of products and services, better wealth advice, or a stronger digital experience. For a smaller group of investors, access to lower fees and better social impact investments were the triggers.

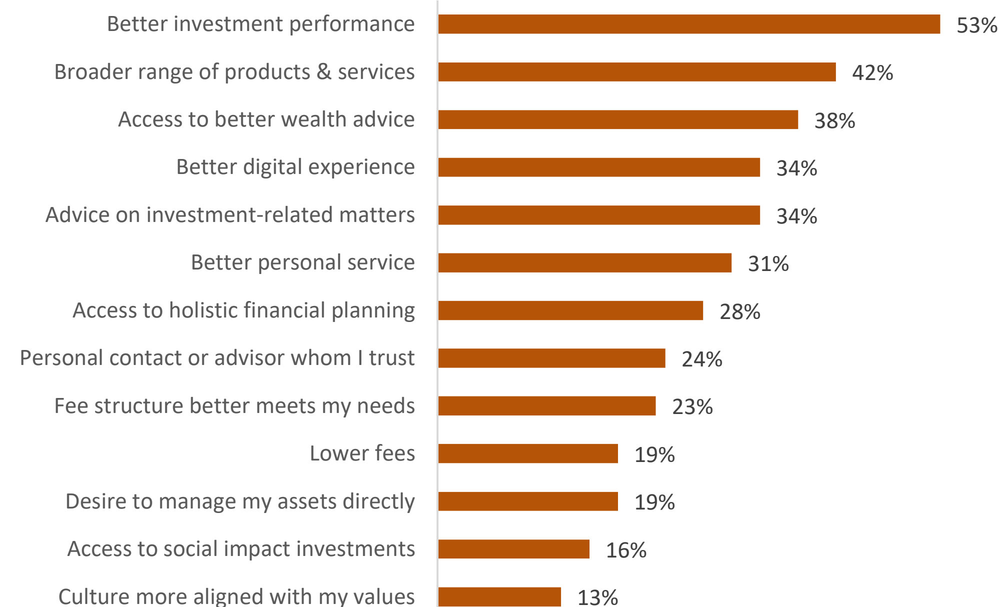
Primary relationship

	Mass market/Mass affluent	HNW	VHNW	UHNW	Billion.	Total
My advisor	30%	17%	18%	24%	39%	23%
My advisory team	38%	30%	33%	27%	36%	32%
My provider/firm	32%	52%	48%	49%	25%	45%

Likelihood to move with advisor

	Mass market/Mass affluent	HNW	VHNW	UHNW	Billion.	Total
Likely	40%	39%	37%	56%	59%	43%
Somewhat likely	36%	38%	51%	27%	29%	36%
Very likely	23%	20%	9%	13%	12%	19%
Unlikely	0%	2%	2%	4%	0%	2%

Reasons investors switched providers



IQ16. Is your primary relationship with (or loyalty to) your advisor, your advisory team, or your provider/firm? IQ16a. How likely are you to follow your advisor if he/she moves to another firm? IQ17. Have you switched providers or made funds transfers of 20% or more of assets from one wealth management firm to another over the last year?

In a fast-changing market, providers reconsider their customer needs

As the wealth industry enters its next phase, providers should realign their value propositions and offerings with what investors want most.

Providers looking for growth are stressing the personal relationship, with even online brokers and robo-advisory firms are adding the human touch in the form of a hybrid model with personal advisors. While personal access continues to be important to investors, there are other considerations that rank higher. Offering innovative investment ideas and a broad range of products and services, including tax-efficient and specialized products are high on investor priority lists. For almost half of investors, acting in their best interests and following ethical business practices are top ways to attract and keep them.

Almost half of providers are differentiating their firms by offering a digital client experience—which came out as the most important evaluation criteria for investors. But providers may be over-rating the importance of fees, holistic advice, and research and analysis to investors.

Top 6 ways providers look to differentiate

1. 73% Personal relationships
2. 52% Investment performance
3. 48% Digital client experience
4. 40% Low fees/attractive fee structures
5. 34% In-depth research/analysis
6. 29% Holistic wealth advice

Top 6 ways investors say firms can attract them

1. 57% Innovative investment ideas
2. 50% High returns geared to risk tolerance
3. 49% Act in my best interest
4. 48% Wide range of products and services
5. 47% Valuable advice
6. 46% Available when I need them

Top 6 criteria for investors in evaluating providers

1. 49% Simple, intuitive digital experience
2. 48% Ethical business practices
3. 48% Active management products
4. 48% Tax-efficient products
5. 42% Specialized products
6. 41% Leadership vision and integrity

PQ25. Which of the following do you regard as the main ways that your firm can differentiate its services from competitors to attract and retain investors? IQ20. Which are the best ways for wealth management providers to attract your interest and build a relationship with you? IQ21. Which of the following aspects of the overall wealth management relationship are highly important to you when selecting and evaluating investment providers?

What should providers do differently to meet your needs?

Mass affluent

"They should play an important role in all my investment strategies openly and transparently."
France, mass affluent baby boomer

"Provide me with tailored advice and services to support and grow my new business."
Australia, mass affluent millennial

"I am looking for investments that can improve my returns."
Hong Kong, mass affluent gen-Zer

"Forward thinking and innovative approach for my investments to secure our long-term future."
US, mass affluent baby boomer

HNW and VHNW

"My advisor should be available at anytime to provide me with the options that are best for me."
Germany, HNW millennial

"Offer holistic management of services with high-level advisory and financial planning support.
UK, HNW baby boomer

"Advisors must give me innovative ideas and suggestions on investments."
US, HNW baby boomer

"Provide face-to-face personalization and comprehensive wealth management recommendations."
Hong Kong, VHNW millennial

UHNW and billionaires

"My advisor should provide socially and environmentally responsible investment advice."
US, Gen X billionaire

"Offer more tax-efficient products and solutions.
US, ultra-high-net-worth millennial

"They should focus on unique industry insights and diversified product offerings."
Singapore, billionaire baby boomer

"I want my financial affairs to be managed in my best interest and cost-effectively."
Germany, UHNW millennial

Case study: Charles Schwab

Leveraging robos and humans to provide an end-to-end investor experience

Andrew D'Anna
Managing Director
Charles Schwab

For Charles Schwab, the pandemic has been an inflection point enabling the firm to advance its long-term strategy. "There has been a massive increase in retail investing over the last year, as the industry has removed barriers and driven down costs, ensuring you don't need to be wealthy to get access to markets at a reasonable price," says Andrew D'Anna, Managing Director of Schwab's retail client experience. "This, combined with the financial impact of the pandemic and lots of extra free time, got clients thinking about alternative sources of income and trading. " This resulted in 10 million new clients entering the market in a year.

These investors tended to be younger and more diverse, with a real hunger for advice and information. "For us, this is a really critical moment to take advantage of this influx of interest and engagement that we're seeing from clients by helping them mature as investors," says D'Anna. "Helping them shift to thinking about their goal and long-term plans, about building a portfolio to align with those long-term plans is both the opportunity and the challenge that we see as a firm. And it will be what defines whether this was a one-time spike in engagement or a trend that we can continue to build off in growth."

For a firm as heavily geared toward digitally enabled investing as Schwab, one of the most important developments during the pandemic has been the way that clients have been willing to use digital tools even for smaller transactional activities but also important life changes and "moments that matter." This has been encouraging for Schwab's strategy of expanding up and down the investor spectrum to offer what D'Anna calls an "end-to-end" experience covering multiple gradations between robo-advice, a human sounding board for clients, and completely advisor-managed portfolios.

He believes that there is a growing convergence in the wealth management arena, and an expectation that one firm should be able to handle all aspects of a client's financial life. "I would argue we are fairly advanced in getting to that end-to-end experience, beyond many of our competitors," he says.

A "bionic" human-digital model

Schwab is expanding not only at the retail end of the spectrum but also at the high end, starting from its premier position as an electronic discount brokerage, then adding human relationship-based advice. "We've had a lot of success building off a very large set of high-net-worth clients who came to us looking to manage a portion of their portfolios themselves at a low cost," he says. "We are now beginning to win a bigger share of their wallets because of the relationship we have built with them on that side of the business."

Schwab is looking to build a "bionic" human-digital model at a low cost that gives clients the flexibility to engage with the firm the way they want, leveraging the best technology and people. "We will do it in a Schwab way, which will be based on value, a high degree of digital enablement, and great service," says D'Anna. "It won't be a high-fee, full-management relationship with low digital accessibility—that model doesn't meet the expectations of today's investor."

In the Schwab model, he says, clients have the independence to invest on their own, but always with the confidence of a having a human backstop when needed. "As clients adopt more technology and digital tools, the space for the human is going to increase, allowing our teams to spend even more time on the interpersonal and emotional aspect of the relationship—but using scalable solutions that we can deliver at a low cost."

"The pandemic exponentially accelerated digitalization as a focus for many firms. The lack of face-to-face interaction encouraged firms that were reluctant to adopt digital tools to do so. The constant challenge with digitalization is the continued increase in hyper-personalization expectations."

Sabrina Bailey, Global Head of Wealth Management, Refinitiv

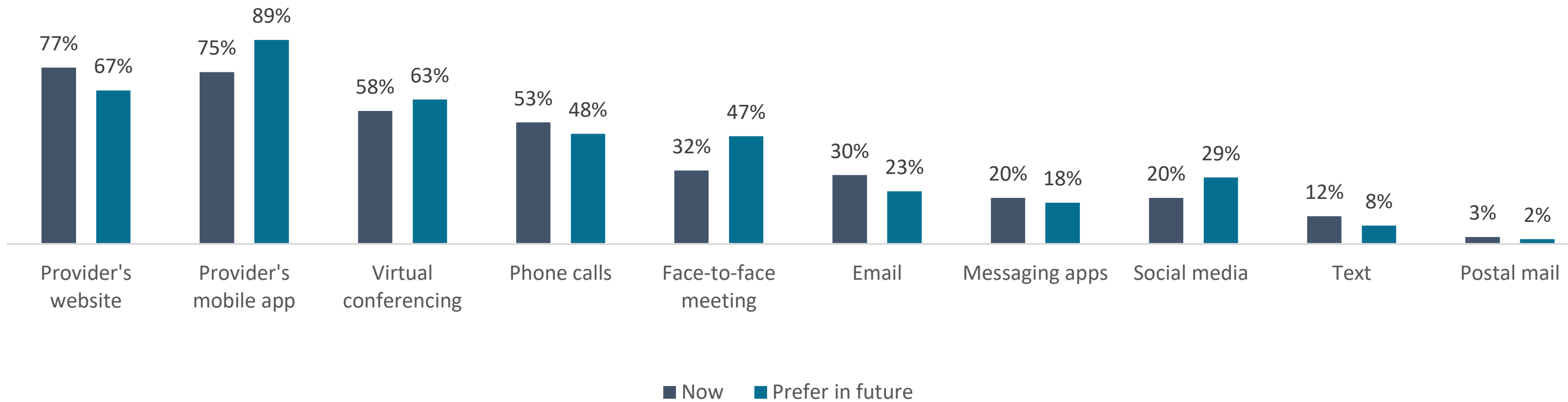
Winning in a digital-first world

Moving into a digital-first world

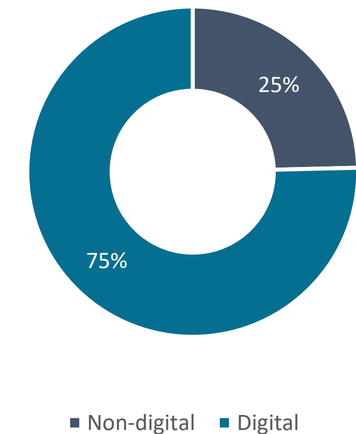
Three-quarters of all investor interactions with their wealth providers will be digital in two years.

In just two years, mobile apps will be the primary mode of engagement, followed by websites and virtual conferencing, which have overtaken both phone calls and in-person meetings. Use of websites is declining in favor of mobile apps, as are email, messaging, and texting, but engagement via virtual conferencing and social media are on the rise. While investors will continue to reduce their use of phone calls, they have renewed interest in face-to-face meetings as social distancing restrictions fade. Investors would like a blend of personal and virtual contact in the future.

Current channel use vs. future preference



Channels preferred in future



"The end-goal of a financial managers should be to be able to create a frictionless experience for customers when they want to engage, how they want to engage, and in what channel they want to engage, in real time."

David Donovan, Financial Services Practice Leader, North America, Publicis Sapient

IQ22. When you interact with your primary wealth management provider, how much do you now use each of the following channels and how much would you prefer to use them in the future?

Mobile investing comes of age

Investors want to carry out most of their activities from the palm of their hand in two years.

They will do less through websites and chiefly handle pre-scheduled and ad-hoc meetings with advisors through virtual conferencing—although some will continue with phone calls and face to face meetings. They will hardly use messaging, email, and text, and when they do, it will be mostly for receiving investment advice and ad hoc interactions with advisors.

Providers understand where the wind is blowing. However, some underestimate the future dominance of mobile apps and overestimate the likely usage of websites in the future.

Channel usage in two years: investors vs. providers

Activity and channel	Investors prefer	Providers expect
Accessing account information		
Mobile app	55%	49%
Website	22%	20%
Accessing market insights and analysis		
Mobile app	41%	36%
Website	18%	21%
Learning about products and services		
Mobile app	41%	34%
Website	26%	31%
Opening accounts		
Mobile app	45%	42%
Website	19%	25%

Investor high-tech preferences

Activities for which investors will use mobile apps the most

Activity	%
Access account info	55%
Monitor performance	50%
Learn about products	41%
Open accounts	45%
Submit trades	41%
Access market insights	41%

Where websites will be used the most

Activity	%
Learn about products	26%
Submit trades	25%
Portfolio rebalancing	21%
Monitor performance	19%
Open accounts	19%
Access market insights	18%

Where virtual conferencing will be used the most

Activity	%
Scheduled meetings	38%
Ad hoc interaction	36%
Financial planning	20%
Portfolio rebalancing	25%
Investment advice	18%
Opening accounts	13%

Investor high-touch preferences

Where phone calls will be used the most

Activity	%
Ad hoc interactions	22%
Investment advice	21%
Scheduled meetings	20%
Portfolio rebalancing	13%
Financial planning	10%
Submit trades	8%

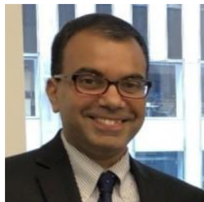
Where face-to-face will be used the most

Activity	%
Scheduled meetings	22%
Ad hoc interactions	16%
Financial planning	16%
Opening accounts	15%
Investment advice	14%
Portfolio rebalancing	13%

IQ 23. For the following key activities that you handle with your wealth management firm(s), which is the primary channel that you used before the pandemic, which do you use today, and which one would you prefer to use in the future? PQ14. For the following client activities, which will be the primary mode of engagement between your firm's clients and advisors over the next two years?

Case study: Stash

Mastering the art of the meme*



Vinod Raman
Vice President and Director, Product and Operating Unit
Stash

While many incumbent wealth management firms saw revenues and assets under management decline during the pandemic, six-year-old Stash, a digital banking and investing mobile app, has seen triple-digit growth as investors with more time to manage their finances embraced all things digital. The firm has done so using digitally enabled methods for attracting clients—it now about 6 million customers, after a 100% increase during 2020.

Vinod Raman, head of the Product and Operating Unit at Stash, says the firm has seen some phenomenal growth, and now has close to $3 billion AUM now, up from $800 million in late 2019. " A lot more people have gotten interested in trading," he says. "Maybe it's the free time. Maybe it's social media. But in the last year and a half, we've seen a major retail trading frenzy in the markets. I know a lot of firms have benefitted from that, and Stash is no exception."

One advantage that Stash has over many incumbents is an understanding of the way social media now drives retail investors—Raman calls it "meme investing." Like other newer fintechs, it has also mastered more sophisticated forms of customer acquisition. Raman constantly monitors onboarding and investment rates and varies promotions and screens on the app as needed.

"It all comes down to A/B testing for every screen, its content, its design, and its flow," he says. "We're testing each permutations with 100,000 people, seeing which ones win, then we optimize further and further and further."

Raman says that it's not only Millennials and Gen-Zers investing through apps like Stash, but people of all ages, attracted by how easy Stash and other apps make investment. "Retail investors want a super simple, super intuitive, ideally mobile platform to be able to quickly onboard, quickly research what's available, and make quick investing decisions," he says.

One reason for that is the availability of fractional shares on Stash. "I would credit Stash for really making fractional shares popular," Raman argues. "We were one of the early players to say, 'Start with five bucks and buy Amazon stock, or even Berkshire Hathaway.'"

In addition to more than 3,000 equities and hundreds of ETFs on the platform, Stash offers "smart portfolios", a robo-investing solution based on a customer's risk profile, launched in March 2021, which Raman says has seen significant adoption. It also has a securities lending program, from which it shares revenues with customers. Stash hopes to continue adding different types of financial products and more goals-based automated investing.

**Pending approval. Not for publication.*

Wealth firms are motoring ahead in digital transformation

Private banks, retail asset managers, and broker-dealers are speeding ahead, while alternative asset managers and family offices are falling behind.

Almost three-quarters of firms are ahead in interactive CX, over half in automated processes and ABC technologies. Firms also have made considerable progress in other digital areas, including as data analytics, cybersecurity, and digitized employee experiences. About 4 out of 10 providers have made clear progress on building an innovation mindset and socially aware organizational culture. But they are dragging their heels on conversation monitoring, modernize core IT, software deployment, and digital compliance.

Private banks, both independent and part of larger banking groups, have done the most to reengineer their businesses digitally. They have made more progress than any of their peers in important digital initiatives, from interactive customer and employee experiences, to cybersecurity, conversation monitoring, software deployment, and digital compliance. Retail asset managers and broker dealers have also made considerable advances, with the former most advanced in the use of ABC technologies and modernized core IT, and the latter in data analytics. Family offices have progressed the least, behind the average in every element of digital transformation. Alternative asset managers are not doing much better.

Surprisingly, online brokerages and robo-advisors are falling behind in some important areas of digital transformation, such as digital compliance, software deployment, and conversation monitoring. But some of this could reflect the stronger digital standards they set for themselves.

% of firms in mid-implementation or advanced stages of digital development

Transformation areas	Private bank	Retail	Broker-dealer	Advisor	Institutional	Trust co.	Online/robo	Alternative	Family office	All firms
Interactive CX	90%	70%	78%	71%	78%	86%	67%	82%	54%	**73%**
Automated processes	71%	55%	68%	62%	87%	43%	54%	59%	20%	**57%**
AI, Blockchain, cloud tech	59%	67%	56%	57%	30%	63%	54%	18%	44%	**55%**
Data and analytics	47%	49%	59%	51%	22%	49%	58%	14%	32%	**47%**
Advanced cybersecurity	60%	44%	53%	50%	57%	37%	46%	55%	16%	**46%**
Digitally enhanced EX	60%	51%	49%	46%	43%	43%	37%	32%	22%	**44%**
Innovation mindset	69%	45%	46%	38%	43%	37%	35%	27%	20%	**41%**
Organizational culture	55%	40%	39%	45%	39%	40%	39%	27%	32%	**41%**
Conversation monitoring	50%	47%	37%	41%	43%	34%	32%	36%	24%	**39%**
Modernized core IT	50%	56%	39%	38%	35%	34%	30%	23%	20%	**38%**
Software deployment	50%	38%	42%	38%	48%	40%	26%	41%	10%	**36%**
Digital compliance	52%	45%	41%	36%	22%	23%	21%	32%	22%	**35%**
Total	**713%**	**607%**	**607%**	**573%**	**547%**	**529%**	**499%**	**446%**	**316%**	**552%**

"We tell clients that all their technology building blocks need to be powered by data. You can't create a personalized experience, or power a platform, or include an AI component unless you have the data, and it's under control."

Melissa Cullen, Global Head of Strategy, Wealth and Retirement, FIS

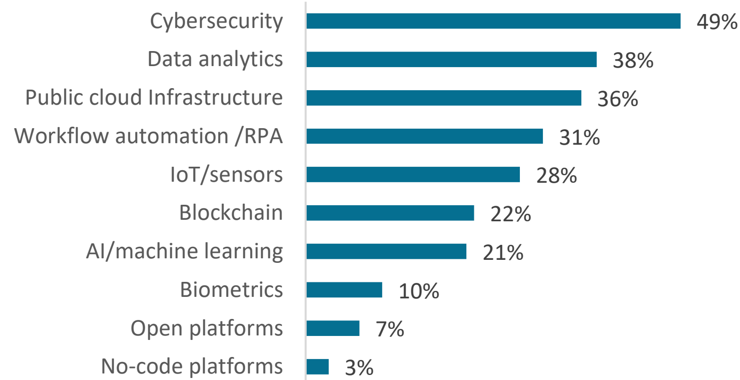
PQ13. What stage of development is your company at in the following areas of digital transformation now?

Firms shore up IT spending as part of their digital transformation

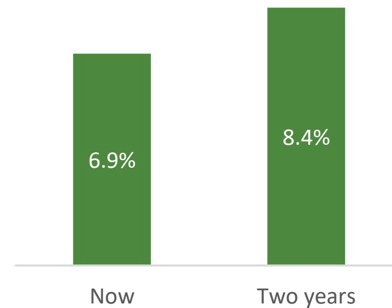
Firms across sectors plan to raise their total IT spending over the next two years as they make substantial investments in advanced digital technology.

Over the last two years, half of firms have made considerable investments in cybersecurity to combat mushrooming cyberattacks during the pandemic, as well as increased vulnerabilities from working with devices from home. They have also largely invested in data analytics, public cloud, and workflow automation. Over the next two years, companies will continue to invest in core technologies, but investment will plateau or even drop in areas like cybersecurity. AI will see the biggest rise in AI, which will grow 11 percentage points-- about a 52% increase--over past levels. AI stands out as one of the technologies with the most positive impact, according to our survey. Firms will double their spend on open platforms, although from a low base. No-code/low-code platforms, while seldom used now, will grow considerably, but will remain a relatively rare investment.

Largest investments in the last two years



Total IT spending as % of revenue



Where firms will increase their investments over the next two years

Technology	Last 2 years	Next 2 years	Diff.
AI/machine learning/NLP	21%	32%	11%
Open platforms/API architecture	7%	15%	8%
No-code/low-code platforms	3%	8%	5%
Workflow automation/RPA	31%	34%	3%
IoT/sensors	28%	31%	3%
Data analytics	38%	40%	2%
Biometrics	10%	10%	0%
Blockchain	22%	21%	-1%
Public cloud infrastructure	36%	33%	-3%
Cybersecurity	49%	38%	-11%

"Lots of COOs and CISOs of financial institutions have suffered cyberattacks. For now, there has been no big scandal. But they are ramping up their investments to truly protect their organization from future cyberattacks."

Jean-François Lagassé, Financial Services Industry Leader, Deloitte

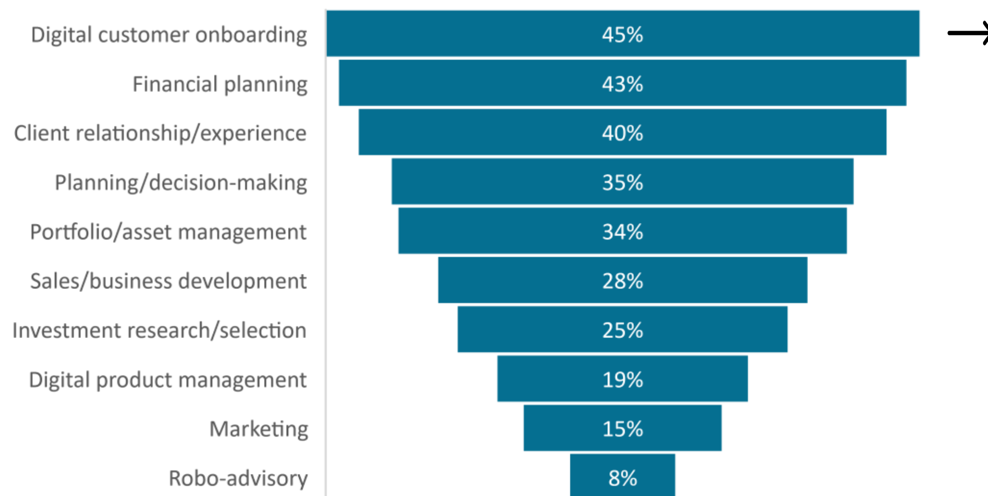
PQ15. In which next-generation technologies have you made significant investments over the last two years, in which are you planning to make significant investments over the next two years, and which investments are having the largest positive impact now?

Digital onboarding is the top area of front-office investment

Opening a new account is often a major pain point for clients, and during the pandemic, it was impossible to do this in person. As a result, digital onboarding is becoming table stakes for wealth management firms.

Digital support for financial planning is another big area of investment, as well as client relationship management and experience—crucial for firms as their client engagement becomes more digital. That is why leaders are investing even more heavily in these areas. Firms are also ratcheting up their investments in strategic planning and portfolio management. Self-service functions, such as marketing and channel engagement and robo-advisory, are seeing the lowest investments, although this varies by subsector. Retail asset managers are focusing on onboarding, trust companies on financial planning—a particular area of focus for them--alternatives on CRM/CX and strategic planning and decision-making, and broker dealers on portfolio management. Other than robo-advisory firms themselves, universal banks will be investing the most in robo-advisory solutions, followed by asset management firms, and investment banks.

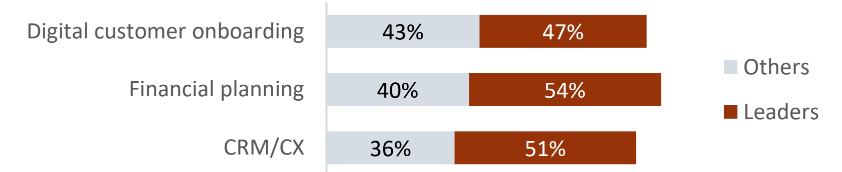
% citing as front-office area of biggest tech investment



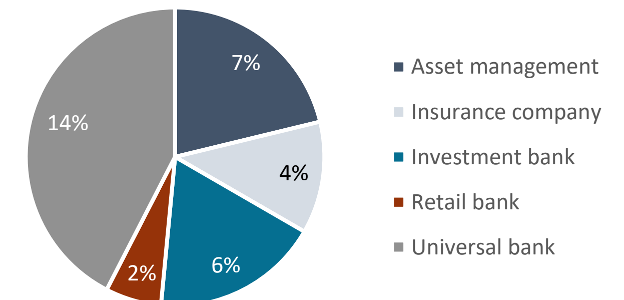
Sector investing the most in this area

Retail	58%
Trust	74%
Alternative	50%
Alternative	59%
Broker-dealer	42%
Institutional	43%
Family office	32%
Institutional, trust	26%
Private bank	19%
Online/robo	44%

% citing as area of biggest tech investment, by maturity



% citing robo-advisory as area of biggest tech investment



PQ16. In which front-office areas has your firm made or is planning to make the biggest technology investments?

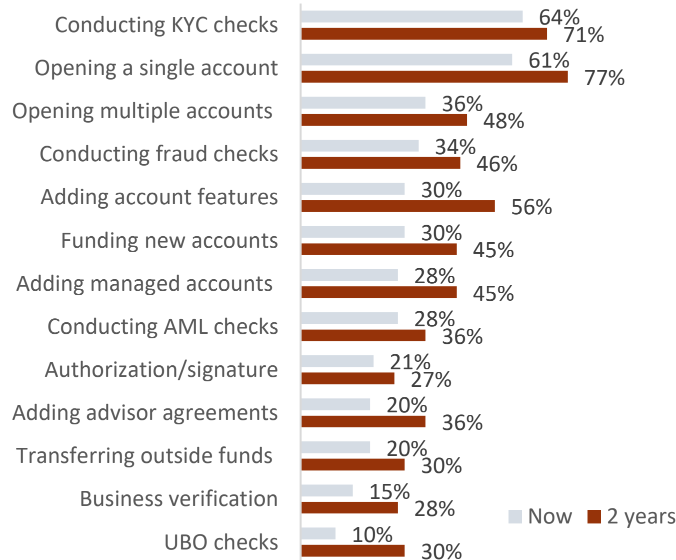
Despite their focus on digital onboarding, firms are still not doing enough

The top pain points for investors in opening a new account are providing authorizations and transferring funds in from outside accounts, but currently only about one in five providers have digitized these processes—and less than a third plan to do so within two years.

So far, providers have chiefly addressed their own top pain point—digitizing regulatory know-your-customer (KYC) checks, as well as digitizing basic procedures for opening an account online. Only 36% can open multiple accounts online simultaneously, and even fewer can digitally conduct fraud checks, add account features, and fund new accounts. Conducting business verification and ultimate beneficial owner (UBO) checks are now seldom digitized. They will ramp up over the next two years in some areas, particularly adding account features, conducting UBO checks, and adding managed account proposals. However, only adding feature to accounts is a major pain point for investors.

Currently, online brokers and robo-advisors are furthest ahead in digital onboarding, with wealth advisory groups and retail asset management firms close behind them. But in two years, institutional asset managers and private banks plan to move aggressively and overtake others. Family offices and wealth advisors will also jump on the bandwagon. Alternative asset managers and traditional broker-dealers will continue to trail.

Top 10 onboarding hurdles for investors	% citing
Providing authorizations	34%
Transferring funds from outside accounts	33%
Confirming investment preferences	32%
Providing documents & evidence	30%
Adding features to accounts	30%
Adding beneficiaries & account holders	29%
Providing signatures	28%
Filling out forms & providing information	24%
Depositing & withdrawing funds	23%
Getting approval or activation status updates	22%



Ahead in digital onboarding*	Now	2 years
Online brokerage/Robo-advisor	413%	573%
Investment/wealth advisory group	411%	578%
Retail asset management	409%	561%
Institutional asset management	405%	652%
Trust company	397%	560%
Broker-dealer/wire-house	383%	548%
Private bank	382%	594%
Family/multifamily office	370%	578%
Alternative asset management	353%	527%

***Total percentage of digitized onboarding elements**

Q18. Which parts of the client onboarding process are currently digitized at your firm? Which do you expect to be digitized in the next two years?

ThoughtLab

Leaders invest more heavily in digitizing middle and back office

Leaders invest in the oft-neglected middle and back office more than others, showing best practice for all firms.

Almost half of providers invest in data analytics, and more than 4 out of 10 on digitizing client account servicing and reporting. Almost as many invest in cybersecurity and portfolio accounting and custody.

Leaders are spending almost three times as much as others in tracking and analyzing corporate culture to ensure that it is delivering on strategic goals. That can be vital for organizations in the long run if they want to drive social awareness, sustainability, and innovation.

Priorities vary by sector. Institutional asset managers, which deal with exacting professional clients, are much more apt to spend heavily on improving data analytics—an area in which they lag.

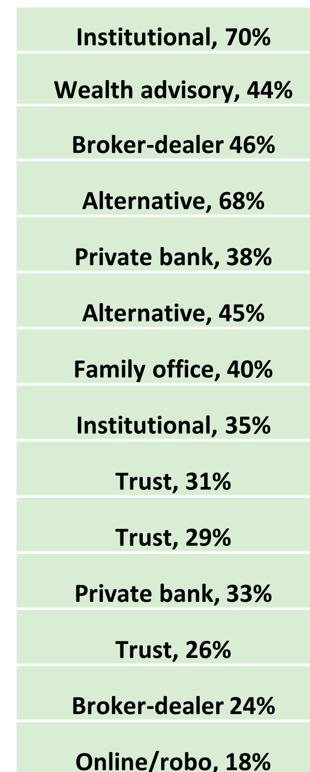
Alternative asset managers are putting money into cybersecurity at more than double the average rate—spurred by the hugely increased attacks during the pandemic. However, others should follow suit, especially family offices, which are trailing far behind others.

"When the pandemic hit, firms were worried about losing their customers. So, there was a lot of investment in customer journeys and digitizing the front office. Now we are getting over the initial shock, and firms are moving back to investing in back-office improvements."

Nina Kerkez, Director of Consulting, LexisNexis Risk Solutions

Biggest mid/back-office tech investment

Sector investing most



PQ17. In which middle and back-office areas has your firm made or is planning to made the biggest technology investments?.

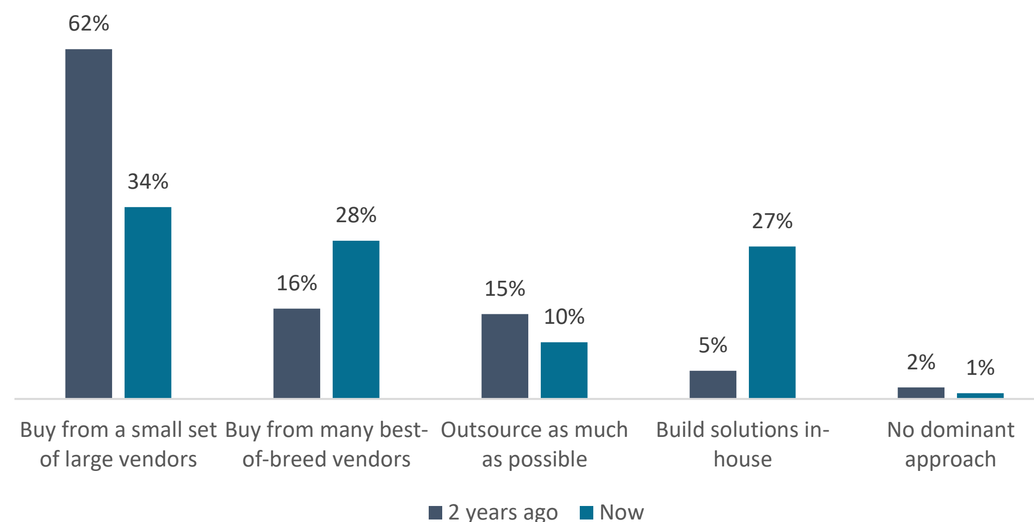
ThoughtLab

As firms digitally mature, they turn to in-house solutions and best-of-breed vendors

Over the past two years, wealth and asset management firms have shifted away from outsourcing and buying from a small set of large vendors.

In the past, firms tended to buy packaged technology solutions from a small set of large vendors, and seldom built them in-house. But with digital transformation accelerating, providers are changing tacks. The percentage buying from the large vendors has fallen almost by half, while those buying from many best-of-breed vendors has risen 12 percentage points, or about 75%. But at the same time, the percentage building solutions in-house has quadrupled. As companies become more digitally mature, they outsource less, and build solutions in-house more.

By sector, online brokers—which are more digitally advanced—build solutions in-house more than others, while alternatives, which generally trail in digital, more often buy solutions more from a small set of large vendors. Trust firms are more inclined than others to buy solutions from many best-of-breed vendors, while family offices, which tend to have smaller staffs, understandably outsource as much as possible.



Tech philosophy now	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online/ robo	Private bank	Retail	Trust
Build solutions in-house	18%	27%	20%	26%	24%	39%	36%	25%	23%
Buy from a small set of large vendors	59%	36%	18%	39%	36%	28%	31%	36%	34%
Buy from many best-of-breed vendors	9%	34%	32%	26%	23%	32%	24%	34%	37%
Outsource as much as possible	0%	2%	30%	9%	16%	0%	9%	4%	6%

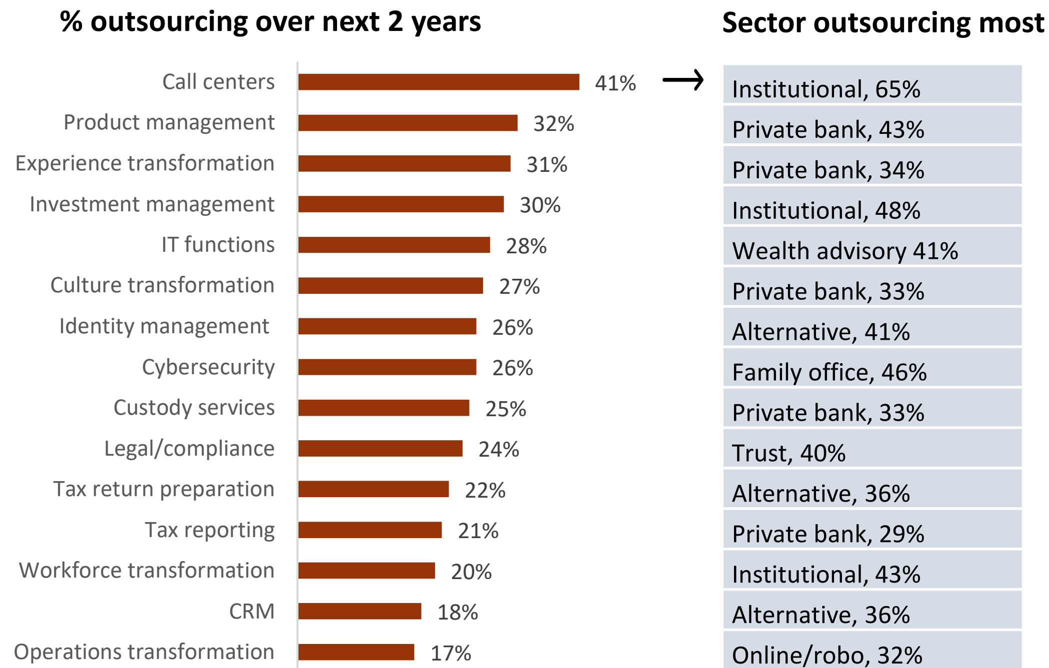
Q20. Which of the following best described your firm's dominant technology philosophy two years ago, and which describes your firm's dominant technology philosophy today?

ThoughtLab

Firms outsource both peripheral and core functions

Call centers are most often outsourced, since they are a peripheral function for most firms. But many also outsource core areas like product and investment management.

Many firms prefer to outsource business activities to specialist managers, so they can concentrate on building client relationships. Outsourcing of all functions declines as firms mature—overall, leaders outsource the least. However, they are more likely to outsource investment management to specialists, as well as experience transformation and customer identity and access management—all highly sophisticated functions where they need more support. Only a quarter of all firms outsource legal and compliance functions, but for those that do, anti-money-laundering, fraud, business verification, and know-your-customer checks top the list. Leaders concentrate on AML and KYC outsourcing. By sector, institutional asset managers—which tend to be large, complex organizations—outsource the most, but heavily concentrated in a few functions, particularly call centers, investment management, and workforce transformation. Family offices, which tend to be the smallest, do nearly as much, but spread the outsourcing load over more functions, particularly cybersecurity, product management, and IT. Retail asset managers outsource the least.



Total % outsourcing all areas, by maturity

Beginner	Implementer	Leader	All
452%	418%	357%	416%

% of those outsourcing legal/compliance outsourcing each activity

Activity	Beginner	Implementer	Leader	All
AML checks	36%	44%	48%	42%
Fraud checks	43%	30%	22%	33%
Business verification	31%	32%	30%	31%
KYC checks	24%	28%	48%	30%
Compliance reviews	26%	26%	39%	29%
First line monitoring	31%	21%	30%	26%
eDiscovery	19%	28%	17%	23%
UBO checks	14%	23%	22%	20%

PQ21. Which of the following activities will your firm be outsourcing over the next two years (or continue to outsource)?

Over the next two years, firms will reinvent how they get work done

Work for advisors and other staff will become more digitized—and as a result, digital engagement will become more important than personal interaction for a third of firms.

Remote working and web conferencing have made distance less relevant: clients can pick advisors based on their skills or specialties rather than on location. More than a third of firms expect that over the next two years, advisors will continue to work from home or in hybrid arrangements. To successfully manage the operational shift ahead, according to Mike Park, CEO of the TCC group, firms should focus on work culture and desired staff behaviors.

While automation will cut the number of jobs for about 1 out of 5 firms, a reduction in mundane tasks will help employees become more engaged and productive. Firms will also pay more attention to organizational culture as they strive to become more purpose led. That is particularly true for institutional asset managers, alternatives, and family offices, which had a single-minded profit orientation in the past. To support the future of work, firms will upgrade their digital infrastructure, consolidate service, delivery and data centers, as well as recalibrate their need for offices—just under a third will add office space, while about an eighth will cut it back.

Leaders provide a glimpse into the future of work; for example, about 4 out of 10 believe they will meet with clients online more than half of the time, and that digital engagement will become more important than personal interaction.

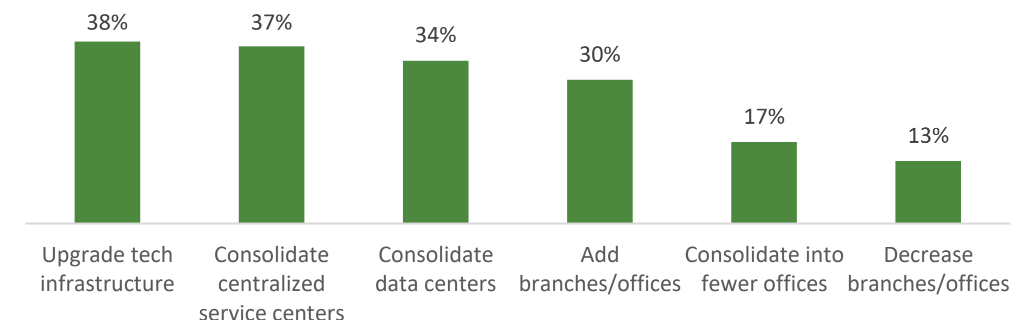
Biggest changes in work for leaders over the next two years

Change in work	Beginner	Implementer	Leader
Web conferencing w/ clients more than half of the time	30%	28%	41%
Digital engagement more important than personal interaction	29%	35%	40%
Measurement of organizational will become more important	29%	33%	38%
Job satisfaction to increase as mundane tasks are automated	31%	28%	34%

Biggest changes in work over the next two years

Statement	All
Advisors continue to work from home or in hybrid arrangements	36%
AI will help advisors target sales opportunities & more personalized service	34%
Digital engagement will be more important than personal interaction	34%
Measurement of organizational culture will become more important	33%
Advisor-client geographic proximity will be less important	32%
Web conferencing w/ clients more than half of the time	31%
Job satisfaction will increase as mundane tasks become automated	30%
Operational staff will continue to work from home or in hybrid arrangements	29%
Being a purpose-led business will be important for retaining employees/clients	28%

Biggest impacts on infrastructure over the next two years



Q10. Over the next two years, which statements about the future of work in the wealth management industry do you believe are true?

Firms are pulling out the stops to drive growth in a fast-changing market

In their push for greater growth, firms are going up, down, and across markets, or looking within their existing client base—while enriching and expanding their products and services to meet broader investor needs.

Most firms plan to go up-market to drive growth. More than 6 out of 10 alternative asset managers, family offices, private banks, and trust companies plan to expand upmarket, with almost as many retail asset managers, broker dealers, wealth advisors, moving in that direction. Even online brokerages and robo-advisors, which generally focus on the mass retail market, are setting their sights higher. Except for family offices, a significant minority of these firms are also looking down-market to find business. For example, 36% of alternative asset managers and 17% of private banks are opening their doors to less wealthy investors to capitalize on the trend toward democratization of high-end products and services.

No stone is being left unturned. About half of broker-dealers and alternative asset firms are planning to enter new geographies, with slightly fewer trust companies, private banks, and wealth advisors following suit. Most family offices aim to enrich their existing products and services, and 41% will add new ones. Trust companies will do the same, while changing distribution channels to boot. About a third of providers will expand in their current niche and maximize cross selling.

How firms plan to change their business strategies in next 2 years

Changes to strategy	Alternative	Broker-dealer	Family office	Institutional	Wealth advisor	Online/robo	Private bank	Retail asset	Trust	All
Expand up-market	64%	47%	62%	43%	46%	30%	66%	52%	71%	51%
Enrich existing products or services	23%	36%	62%	35%	44%	39%	28%	49%	46%	42%
Add new product or service categories	41%	36%	42%	48%	43%	42%	48%	32%	40%	41%
Enter new geographic markets	50%	49%	34%	30%	41%	14%	40%	37%	43%	37%
Expand in our current niche(s)	14%	32%	32%	30%	37%	54%	19%	45%	20%	35%
Maximize cross-selling opportunities	45%	27%	34%	35%	38%	42%	31%	32%	20%	34%
Build in-house	9%	32%	24%	17%	31%	46%	29%	29%	23%	29%
Make acquisitions/divestitures	41%	41%	18%	35%	32%	11%	38%	23%	31%	29%
Expand down-market	36%	27%	0%	35%	25%	33%	17%	21%	17%	23%
Increase outsourcing	18%	7%	38%	22%	21%	26%	29%	18%	11%	21%
Simplify product and services catalog	45%	27%	14%	30%	14%	23%	22%	21%	9%	20%
Change distribution channels	14%	14%	22%	22%	23%	9%	24%	18%	34%	20%
Partner with ecosystems players	18%	27%	22%	17%	18%	14%	26%	16%	9%	19%
Narrow our focus to fewer niches	5%	12%	6%	22%	5%	9%	14%	7%	0%	8%

PQ29. What are the key ways that your firm plans to change its business strategy over the next two years?

> “Firms can capture more of the revenue pie if they can provide things beyond just investment advice, such as banking. It’s the perfect intersection of a better answer for the client and better economics for providers who can meet that need.”
>
> **Justin White, Principal, Deloitte**

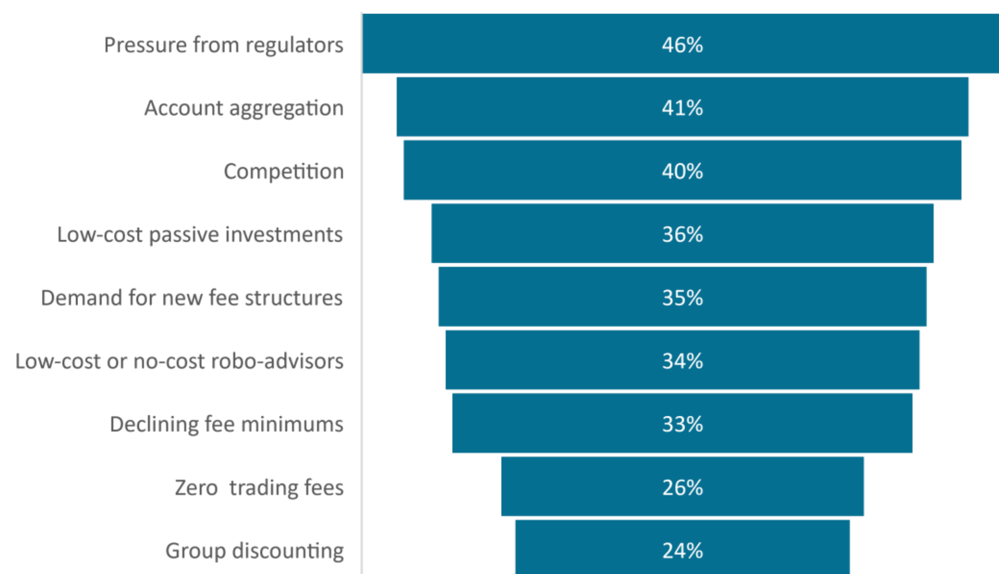
Rethinking pricing and business models

Pricing pressures mounted during the pandemic

As trading increased during the pandemic, so did pricing pressures from all directions, including regulators, changing fee structures, and fintech competitors.

Firms are seeing the greatest pricing pressures from regulators across jurisdictions, as they implement fiduciary rules mandating more fee transparency and scrutiny. These include US best interest rules and the EU's MiFID. Firms are also seeing margin compression from account aggregation, where clients benefit from a discounted fee on their entire asset base, rather than paying fees on each individual account. Fee competition is increasing in the industry, as passive investment continues to grow, fee minimums decline, and trading fees disappear. Institutional asset managers, private banks, retail asset managers, broker-dealers, and family offices are feeling the pricing pinch more than others.

Where firm are seeing the greatest pricing pressures



Feeling the pricing pinch: total % of all pressures

Sector	Total %
Institutional asset management	347%
Private bank	330%
Retail asset management	330%
Broker-dealer/wire-house	319%
Family/multifamily office	316%
All	**315%**
Investment/wealth advisory group	315%
Online brokerage/Robo-advisor	296%
Trust company	289%
Alternative asset management	285%

"The pandemic has created a trading frenzy in the markets. But it has also made investors more aware of competitive pricing from firms like Robinhood, which started the move toward zero commissions."

Vinod Raman, Vice President and Director, Product and Operating Unit, **Stash**

PQ28. Where do you see the greatest pricing pressure in the market today?

ThoughtLab

Fees are a sore spot for many investors

Fewer than 4 out of 10 investors are happy with the fees their wealth providers charge and the way they charge them. Worse yet, only about a third understand how their wealth advisors are compensated.

Providers need to pay attention, even if low fees aren't always the top criteria for most investors when choosing a provider, especially since some of their richest clients are the most disturbed about fees and fee structures. Moreover, nearly one-fifth of investors feel they pay too much for transaction services, while 16% worry about hidden costs, and 14% find it hard to understand the fees they pay for investment services. One in 10 investors, and even more of the richest clients, would transfer more self-directed investments to discretionary accounts if fees were lower.

% agreeing with statements about fees

Statements	All investors	Agree most	Agree least
I am happy with my provider's or advisor's fees for managing my assets.	37%	Mass affluent, HNW, Billionaires	UHNW
I am happy with my provider's or advisor's fee structures.	36%	VHNW	UNNW
I understand how my wealth manager or advisor is compensated.	35%	Billionaires	Mass affluent
I am happy with the fees I pay when managing my assets directly.	22%	VHNW	Mass affluent
I believe I am paying too much for transaction services.	18%	HNW	Billionaires
I am concerned about hidden costs.	16%	Mass affluent	Billionaires
I believe I am paying too much for investment products.	15%	HNW, VHNW, UHNW	Billionaires
I find it hard to understand the fees for investment products.	14%	HNW	Mass affluent
I would use discretionary management more if their fees were lower.	10%	UHNW	Mass affluent
Taking fees into account, I can outperform a wealth manager or advisor.	3%	UNHW	Mass affluent

"I want an easy process to understand the fees that I pay when buying investment products."

US, HNW, Baby boomer

"To keep the process clean, hidden fees and inflated spreads must be avoided."

India, HNW, Gen Xer

"I prefer fixed fees for transactions."

Germany, Mass market, Gen Xer

"My advisor's fees for managing my assets should be more transparent."

US, VHNW, Baby boomer

"Advisors need to clarify hidden fees and provide more convenient methods for conservation."

UK, Mass market, Baby boomer

IQ30. How much do you agree or disagree with the following statements about fees you pay your primary investment providers or advisors?

Providers get fees right in some areas--and very wrong in others

Providers would be wise to reconsider their fees for financial planning and non-discretionary investment.

While most investors prefer to pay for financial planning with either a fixed or hourly fee, most providers expect to charge them on a performance basis or as a percentage of AUM over the next two years. Providers should consider changing course, since nearly half of investors would consider changing providers to get the fee structures they prefer for planning. For non-discretionary investment, investors also prefer hourly or fixed fees, but while a fifth of providers expect to offer hourly fees in two years, more than a third plan to go with percentage of AUM. Only 12% of providers offer a fixed fee structure—for which almost a third of investors would switch providers. Similarly, although about a quarter of investors would prefer—and would switch for—a fixed fee for discretionary management, only 12% of providers plan to offer that option. In other areas, providers are thankfully much more in tune with investor preferences, planning to offer the fee structures they chiefly prefer.

Custody	Investors prefer	Providers 2 years
Fixed fee	24%	44%
Per hour of support	16%	12%
Performance-based	16%	14%
Included with overall fee	10%	9%
Percentage of AUM	6%	2%

Financial planning	Investors prefer	Providers 2 years
Fixed fee	26%	7%
Per hour of support	25%	5%
Subscription	12%	11%
Performance-based	10%	44%
Percentage of AUM	9%	18%

Transaction services	Investors prefer	Providers 2 years
Transaction-based	39%	60%
Fixed fee	15%	6%
Performance-based	11%	10%
Per hour of support	8%	7%
Percentage of AUM	6%	3%

Discretionary wealth management	Investors prefer	Providers 2 years
Percentage of AUM	34%	48%
Fixed fee	24%	12%
Per hour of support	18%	10%
Performance-based	10%	16%
Combination of structures	2%	3%

Non-discretionary investment	Investors prefer	Providers 2 years
Per hour of support	28%	21%
Fixed fee	25%	12%
Performance-based	11%	13%
Percentage of AUM	11%	35%
Subscription	7%	4%

Fee structures investors are most likely to switch providers for		
Transaction services	Transaction-based	35%
Non-discretionary investment	Fixed fee	30%
Discretionary management	Percentage of AUM	29%
Financial planning	Fixed fee	26%
Discretionary management	Fixed fee	25%
Custody services	Fixed fee	24%
Non-discretionary investment	Per hour of support	22%
Discretionary management	Per hour of support	19%
Financial planning	Per hour of support	19%

PQ27. Generally speaking,, how does your firm currently charge clients for the following services? How do you expect to charge clients in two years?

To offset pricing pressures, firms diversified revenue sources during the pandemic

Wealth management firms were already diversifying their sources of revenue. Then the pandemic hit.

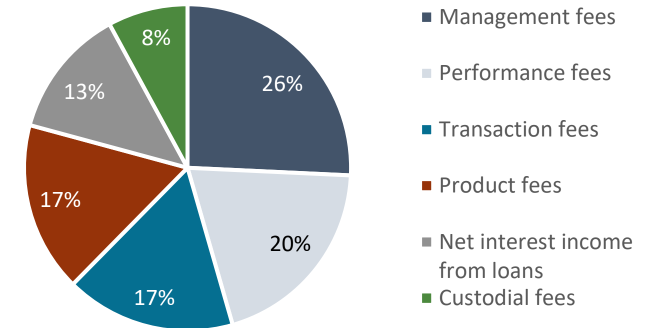
As we enter the next wave of the pandemic, management fees remain the top fee source for firms, followed by performance and transactions fees. It's not a surprise that investment management is the largest revenue producing business, followed by advisory services. Banking, custody, and insurance remain modest income sources for most wealth management firms.

Private banks are the most diversified, deriving revenue from a more balanced offering of investment management, advisory services, and banking. Alternative, institutional and retail asset managers are more heavily weighted toward investment management. Broker-dealers, wealth advisory, family offices, and online brokerages/robo advisors are more evenly split between investment and advisory services, reflecting their move toward a hybrid human/machine business model. Trust companies lean more toward the advisory side as wealthy customers look to them to structure the right vehicles for preserving capital and passing it on to the next generation.

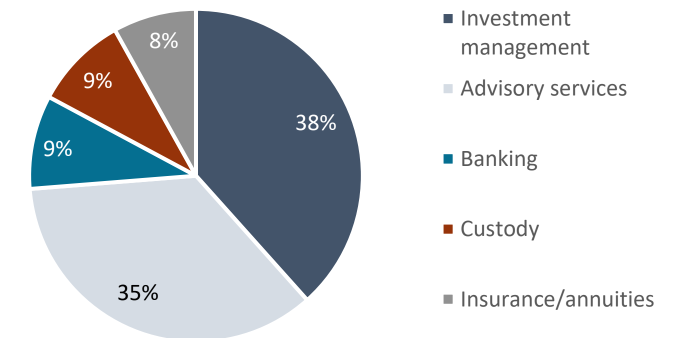
% deriving revenue from fee types

Business type	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online/ robo	Private bank	Retail	Trust company
Investment management	48%	37%	42%	48%	32%	41%	28%	48%	34%
Advisory services	27%	36%	45%	29%	35%	40%	20%	34%	48%
Banking	0%	6%	2%	0%	15%	5%	29%	1%	4%
Custody	16%	12%	7%	11%	8%	8%	12%	10%	7%
Insurance/annuities	9%	9%	5%	12%	10%	6%	11%	7%	6%

% deriving revenue from fee types



% deriving revenue from businesses



PQ26. From which of the following businesses and fee types does your firm derive revenue today across all your wealth management products and services?

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Firms will continue to diversify their revenue channels and fees over next two years

To boost revenue over the next two years, firms plan to widen both their range of services and fees.

About three-quarters of providers will sharpen their focus on investment management over the next two years, and over half will do the same with advisory services. Banking/lending, however, is a major new area of focus for many types of firms, particularly family offices, trust companies, and broker dealers. Insurance is another area of growth, particularly for broker dealers, wealth advisors, and institutional managers.

On the fee side, management fees will continue to be a prime focus for most firms. In addition, most providers, particularly alternative asset managers, trust companies, private banks, and wealth advisors, expect big jumps in net interest income from lending.

Alternatives anticipate a greater focus on performance fees, which make up a large part of their income from profit participation, but broker-dealers, institutional asset managers and private banks all expect to increase performance fees as well. Alternative and institutional asset managers particularly expect to increase their focus on transaction fees.

% expecting increase in focus on business in next 2 years

Business type	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online /Robo	Private bank	Retail	Trust	All
Investment management	73%	64%	80%	83%	81%	56%	72%	75%	86%	74%
Advisory services	73%	66%	48%	57%	50%	60%	49%	58%	49%	55%
Banking	0%	53%	75%	0%	47%	50%	68%	20%	57%	54%
Insurance/annuities	46%	67%	27%	57%	61%	32%	47%	54%	50%	53%
Custodial services	44%	31%	31%	25%	28%	31%	40%	33%	31%	32%

% expecting increase in focus on fee types in next 2 years

Fee type	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online /Robo	Private bank	Retail	Trust	All
Management fees	77%	61%	54%	57%	47%	42%	60%	62%	43%	54%
Net interest income	79%	48%	45%	52%	55%	47%	66%	45%	70%	54%
Performance fees	68%	54%	48%	52%	45%	44%	53%	51%	29%	48%
Product fees	27%	34%	52%	61%	46%	60%	38%	40%	54%	45%
Per transaction fees	68%	36%	40%	78%	38%	44%	41%	38%	43%	42%
Custodial fees	15%	21%	42%	13%	42%	44%	33%	21%	23%	31%

PQ26b.How do you expect your firm's focus on each of these categories to change over the next two years?

> "Wealth management firms need to adopt the mindset that technology is an ally to growth. Once you take that perspective it opens new opportunities and allows you to reimagine the end-to-end client journey and expand your business model."
>
> **Brie Williams, Vice President, State Street Global Advisors**

The return on digital investments

The financial, operational, and strategic benefits from going digital

Almost half of all firms are seeing increased revenue from digital transformation now, and over the next two years, almost as many expect improved profitability.

But operational and strategic benefits are also rising, particularly improved planning and decision-making, greater innovation, enhanced customer analysis and retention, and faster creation of new products. Leaders overall are seeing greater benefits than others now, and expect even more over the next two years, particularly in increased revenue. They anticipate other financial benefits, including higher profitability, decreased costs and greater AUM, but also other business benefits, such as accelerated time to market, improved planning, faster creation of new products, and stronger reputation.

> "By 2030, we will see at least a dozen hundred-billion-dollar fintechs, and a few with over $1 trillion in assets under management. Some traditional banks will morph into very large fintechs."
>
> **Yoni Assia, CEO, eToro**

PQ31. What are the main benefits that your firm is seeing from its digital investments now and what are the main benefits your firm expects over the next two years?

Digital transformation supercharges performance across multiple KPIs

Firms have seen a more than 12% increase in productivity as a result of digital transformation—which has contributed to an 8.1% rise in assets under management.

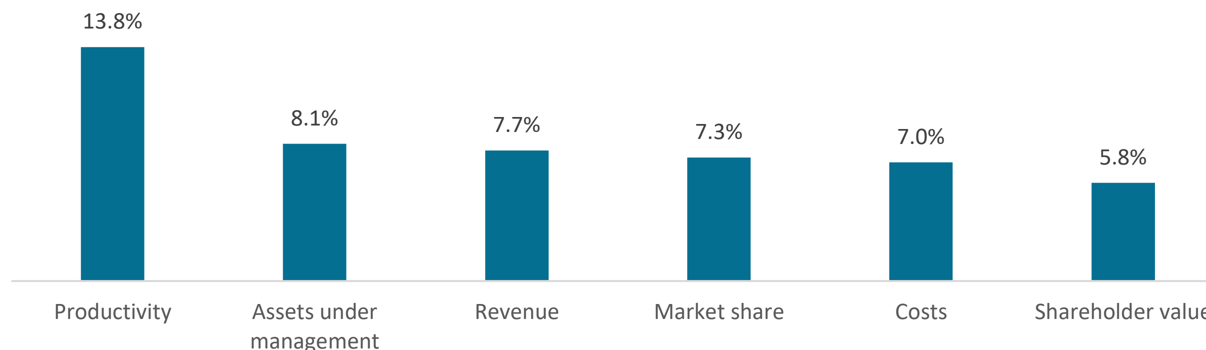
Digitalization has also lifted revenue, market share, and shareholder value, although it has also increased costs as firms beef up their digital investments.

Productivity remains the largest KPI jump across industry segments, but institutional managers have particularly seen AUM climb from their digitalization efforts.

Alternative asset managers, which have been playing digital catch-up, report outsized gains in all KPIs except shareholder value. However, they, as well as institutional managers, private banks, and retail asset managers, have also seen higher than average cost increases as they gear up.

> "Since the pandemic, we are seeing most of our client projects focusing on productivity, effectiveness, and efficiency. The more you can support and augment the workflow with technology, the better it is."
>
> **Hans Peter Wolf, CEO and Founder, Appway**

Average % increase in KPIs as a result of digital transformation



Average % increase in KPIs as a result of digital transformation, by sector

KPI	Alternative	Broker-dealer	Family office	Institutional	Wealth advisory	Online/ robo	Private bank	Retail	Trust company
Productivity	12.3%	13.6%	16.1%	14.5%	13.7%	12.0%	15.3%	13.3%	12.8%
AUM	10.4%	6.6%	7.9%	12.0%	8.6%	7.0%	8.6%	8.4%	5.6%
Revenue	8.9%	7.7%	6.3%	8.2%	8.1%	6.4%	8.4%	8.6%	6.3%
Market share	10.8%	6.2%	7.0%	7.1%	7.0%	6.2%	9.6%	7.8%	5.6%
Costs	11.0%	5.9%	3.4%	9.6%	5.5%	4.4%	11.7%	8.5%	2.3%
Shareholder value	5.8%	5.5%	6.8%	6.2%	4.8%	6.2%	6.4%	6.4%	5.3%

PQ32. Approximately how much of an increase have you seen in the following performance indicators as a result of your firm's digital transformation?

Shift toward holistic financial planning is paying off for wealth providers

Financial planning is the area getting the highest return on digital investment for wealth management firms, showing that their strategic move toward offering a wider, goals-based approach is yielding dividends.

Investments in finance and auditing, client reporting, and portfolio accounting are also showing a high return for providers. However, they are getting the lowest ROI on projects in trade processing and settlement, along with digital product management, trade order management, and organizational culture tracking. Investments in client account servicing is showing mixed results—a bit under a quarter are getting high ROI, close to a third are getting a low ROI, and about 9% are getting a negative ROI.

Leaders show the realm of the possible. Over 6 out of 10 are getting the high ROI from their digital investments in risk management, while half or more are generating high returns from financial planning, customer identity management, portfolio accounting, and robo-advisory.

Top 12 areas where firms are getting a high ROI

Top 12 areas of high ROI for leaders

Area	Beginner	Implementer	Leader
Risk management, legal	11.1%	16.4%	61.9%
Financial planning	14.8%	35.5%	56.4%
Customer identity management	12.8%	26.0%	55.9%
Portfolio accounting	22.0%	25.9%	50.0%
Robo-advisory	29.4%	16.7%	50.0%
Finance and audit	19.0%	32.9%	38.7%
Data management and transformation	22.8%	16.0%	38.7%
Cyber/information security	18.5%	18.9%	38.5%
Digital product management	9.4%	13.7%	38.5%
Data analytics	11.4%	29.4%	37.5%
Client account servicing	18.4%	19.8%	35.6%
HR and training	3.8%	34.8%	33.3%

PQ33. For those areas where your firm has made significant investments, how would you rate the ROI (on a scale against each other) that your firm has made on those investment areas?

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ThoughtLab is an innovative thought leadership and economic research firm providing fresh ideas and evidence-based analysis to help business and government leaders cope with transformative change. We specialize in analyzing the impact of technological, economic, and demographic shifts on industries, cities, and companies.

To learn more about ThoughtLab, visit: **www.thoughtlabgroup.com**

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