

# THE FUTURE OF FINANCIAL PLANNING IN THE DIGITAL AGE

3.17.2016 | CFA INSTITUTE WEALTH MANAGEMENT

## MICHAEL E. KITCES

MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL

Partner, Director of Research, Pinnacle Advisory Group

Publisher, The Kitces Report, [www.kitces.com](http://www.kitces.com)

Blogger, Nerd's Eye View, [www.kitces.com/blog](http://www.kitces.com/blog)

Twitterer, @MichaelKitces, [www.twitter.com/MichaelKitces](http://www.twitter.com/MichaelKitces)



Handouts/Additional Materials at: [kitces.com/CFA2016](http://kitces.com/CFA2016)



# FINANCIAL PLANNING RELATIONSHIP OF THE FUTURE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

- Perry the Planner & Carl the Client, working together 4 years



**CARL**  
Client  
Early-60s



**PERRY**  
Planner  
Mid-40s

© 2013 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

- Carl's financial plan lives in the cloud and can be accessed anywhere, from any device



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

- Both Perry and Carl can keep track of how Carl is proceeding towards his financial goals on an ongoing basis, with continuous integrated data updates



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

- Perry can also monitor how well Carl is implementing his goals and action items on an ongoing basis and send reminders and positive feedback



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

- Perry and Carl connect on a regular basis to check in through a variety of communication tools



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

- Perry and Carl have never met in person



© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

# RISE OF THE DIGITAL WORLD

© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## THE RISE OF THE DIGITAL WORLD

- The Internet isn't a fad – it's a fundamental shift in the way we communicate
- Over 294 billion emails per day
  - 90% are spam... but 20 million *real* emails per minute!
-  has over 1.3 billion users
-  serves over 4 billion videos per day (more video in a month than the 3 major networks produced since 1950!)
- eReaders have surpassed traditional book sales



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## THE VALUE OF FINANCIAL PLANNING

- What is the value of advice-givers in an increasingly technology-driven world?
- Planners are experts when finding solutions on the internet is like finding a needle in a haystack...
  - ...But will improvements in search, sharing, and social media change this?
  - What if the answers to your questions came up instantly in an internet search?
- What is the role of a planner if useful, relevant information actually becomes easily accessible?

© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## THE VALUE OF FINANCIAL PLANNING

*"We Help People Navigate the Powerful Forces that Money Exerts in their Lives."*



© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## BLUE OCEAN STRATEGY



© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## BLUE OCEAN STRATEGY FOR PLANNING

### RED oceans

Known market space  
Many competitors  
Fight for market share



### BLUE oceans

Unknown market space  
Few competitors  
Create market share



© 2015 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## BLUE OCEAN STRATEGY FOR PLANNING

### WHAT IS THE BLUE OCEAN STRATEGY (BOS) FOR THE DELIVERY OF FINANCIAL PLANNING?

- Focus on what matters, eliminate everything else, and create something new
  - The simultaneous pursuit of differentiation and low cost
- What creates the most work? What has the most cost? What can we leave behind?
- What value or experience is financial planning not delivering, that it could?

© 2015 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)



## BLUE OCEAN STRATEGY FOR PLANNING

- Can video help to replace physical meetings?
  - How much more efficient would your firm be without travel?



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## BLUE OCEAN STRATEGY FOR PLANNING

### WHAT IS THE BLUE OCEAN STRATEGY (BOS) FOR THE DELIVERY OF FINANCIAL PLANNING?

- Can online software tools help to replace the physical financial plan document?
  - Could an online platform be a live studio for the client's financial plan, eliminating plan documents and drafts?

© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

# EXPLORING POSSIBILITIES

**PINNACLE**  
INDUSTRY GROUP, INC.

Home | Reports | Help | Logout

### Fig. 2016-11

Performance Overview

Two gauges showing performance metrics:

- Actual vs. Budget
- Actual vs. Target

Key Metrics:

- Total Revenue: \$12,345,678
- Total Expenses: \$8,765,432

Category	Actual	Budget	Target
Revenue - Total	\$12,345,678	\$12,345,678	\$12,345,678
Revenue - Product A	\$3,456,789	\$3,456,789	\$3,456,789
Revenue - Product B	\$4,567,890	\$4,567,890	\$4,567,890
Revenue - Product C	\$4,321,098	\$4,321,098	\$4,321,098
Revenue - Services	\$0	\$0	\$0
Revenue - Other	\$0	\$0	\$0
Expenses - Total	\$8,765,432	\$8,765,432	\$8,765,432
Expenses - Personnel	\$4,567,890	\$4,567,890	\$4,567,890
Expenses - Materials	\$2,345,678	\$2,345,678	\$2,345,678
Expenses - Rent	\$1,234,567	\$1,234,567	\$1,234,567
Expenses - Utilities	\$627,317	\$627,317	\$627,317

© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

# BLUE OCEAN STRATEGY FOR PLANNING

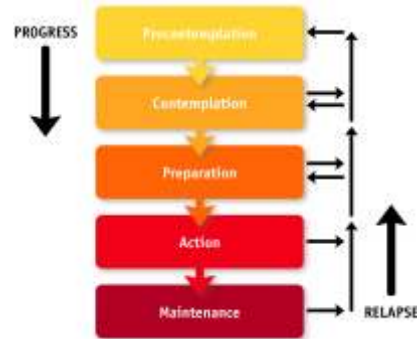


Figlo Planning Software, Concept Video:  
<http://www.youtube.com/watch?v=dpB1NOc9LkA>

© 2015 Michael Kitces | kitces.com

## FINANCIAL PLANNING = BEHAVIOR CHANGE

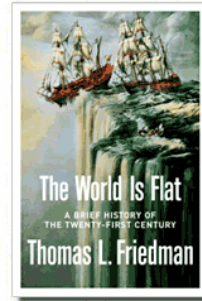
- Financial planning isn't successful until a client changes behavior
- Once clients implement a change, how do we support it?
- Gamification as reward
  - What if clients got an alert for succeeding on a goal?
  - Value of near-term reinforcement



## FINANCIAL PLANNING IN A FLAT WORLD

## FINANCIAL PLANNING IN A FLAT WORLD

- The internet & the growth of bandwidth are leveling the playing field
- Geographical divisions are becoming increasingly irrelevant



How is a financial planning firm structured where hiring and staffing doesn't need to be connected via geography?

© 2015 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## FINANCIAL PLANNING IN A FLAT WORLD

### PLANNING FIRMS OF THE FUTURE AS TECHNOLOGY BREAKS DOWN GEOGRAPHY

- What (& who) needs to be physically located at the firm?
  - Virtual staff vs. employees
  - The trend towards outsourcing has begun
  - Central hub for planners around the city/state/country/world(?)
- Planners will choose business relationships based on:
  - Technology offering and platform
  - Flexibility to match their needs
  - Support service
  - NOT geography!

© 2015 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## FINANCIAL PLANNING IN A FLAT WORLD

### FINANCIAL PLANNING AS THE WORLD GOES FLAT PART 2 – THE CLIENT RELATIONSHIP

- Eventually, there will be a disconnect between geography and planner selection!
- What if clients work with the best firm that fits their needs... period? And not the best firm in their area?
  - What are you “the best” at? What’s your niche?
  - Can you survive if competing with others outside your area?
  - Can you grow more if not constrained to nearby prospects?
- Can you build a client relationship with people who you won’t meet face to face?

## TRUST AND/VIA THE INTERNET

## TRUST AND/VIA THE INTERNET

- Can we trust at a distance?
  - Can a true trust-based relationship be created via the internet?
- What is it that makes us trustworthy?
  - It's all about credibility
    - Integrity (do you walk your talk?)
    - Intent (what's your motive/agenda?)
    - Capabilities (are you able to be relevant?)
    - Results (what's your track record for value/results?)



© 2010 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## TRUST AND/VIA THE INTERNET

### RELATIONSHIP TRUST – IT'S ALL ABOUT CONSISTENT BEHAVIOR

- Talk Straight
- Demonstrate Respect
- Create Transparency
- Right Wrongs
- Show Loyalty
- Deliver Results
- Get Better
- Confront Reality
- Clarify Expectations
- Practice Accountability
- Listen First
- Keep Commitments
- Extend Trust



© 2010 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## TRUST AND/VIA THE INTERNET

- Walter Cronkite
- “The Most Trusted Man In America”
  - It wasn’t because he met everyone in America in person!
- What is it that makes us trust?
  - Credibility and relationship-building lead to trust
  - Trust builds from ongoing demonstration of credibility and relationship-building - develop a reputation for being trustworthy!



© 2015 Michael Kitces | [kitces.com](http://kitces.com)

## TRUST AND/VIA THE INTERNET

- Can we trust at a distance? Yes!
  - Sometimes tragically so...
- *Nothing in the trust-building process inherently requires a face-to-face connection*
- *Remember when we didn’t trust buying anything on the internet?*
  - Until companies built a trustworthy reputation with us!
  - Could we build the same relationship with our clients?
  - Will robo-advisors beat us to it?

© 2015 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## TRUST AND/VIA THE INTERNET

– Are Robo-Advisors the end point?

- Not necessarily...



- Does a computer make us change our behavior?



– The advisor of the future is not human nor robot, but cyborg?

- The technology-augmented “bionic” human advisor



## TRUST AND/VIA THE INTERNET

– The ongoing disruptive force of technology

- First “stock brokering” died with discount/online brokers
  - So we became fund pickers
- Then active mutual fund picking died as reporting tools made it clearer how bad most are
  - So we became asset allocators
- Now “robo-advisors” are commoditizing asset allocation
  - So we become... financial planners & wealth managers
- *Technology doesn't “kill” advisors, but it does force our ongoing evolution up the value-add chain*



# MARKETING & GROWING IN A DIGITAL WORLD

© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

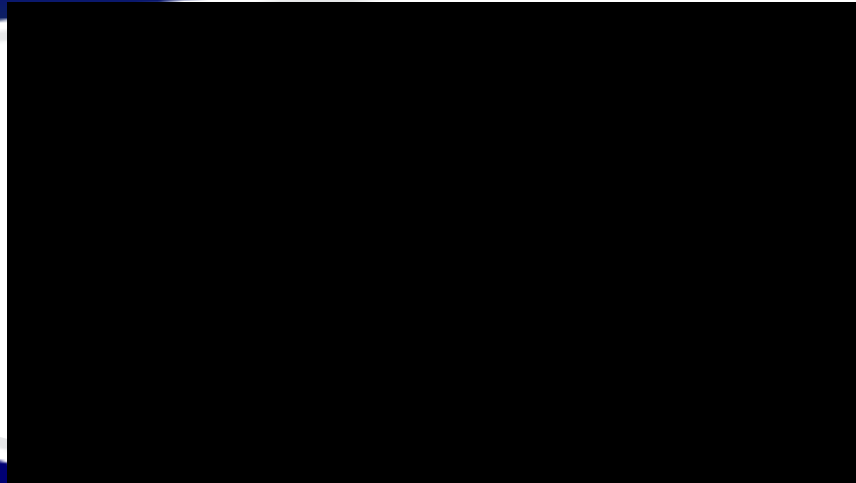
## MARKETING & GROWING IN A DIGITAL WORLD

- How will firms communicate their attractiveness to prospective clients in the digital world?
  - Be discoverable
  - Have a niche (especially if you're not already "big")
  - Be "the best" at something
  - Be referrable
  - What results do you provide? What is the client experience?
  - Be able to effectively describe your value!

© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)




## MARKETING & GROWING IN A DIGITAL WORLD



Socialnomics, Erik Qualman:  
<http://www.youtube.com/watch?v=3SuNx0UrnEo>

© 2013 Michael Kitces | kitces.com

## SOCIAL MEDIA REVOLUTION

- Social media and referrals
  - Social media will serve to accelerate – or hinder – the trust process
  - You won't find news (and business) – relevant news and business opportunities will find (be pushed to) you!
- Referrals from people we trust help to establish credibility in knowing who to work with
- The quality referral of the future:
  - Retweeted 
  - Liked 
  - +1'd on 
  - Recommendations from people you know and trust

© 2013 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

# THE FINANCIAL PLANNING EXPERIENCE

© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## THE FINANCIAL PLANNING EXPERIENCE



© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

## A NEW KIND OF CLIENT EXPERIENCE

- “The Experience Economy” - People will pay more for an experience than just a product.



Vs...



- The parts may be the same on the inside, but the results are customized for every customer/client

© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

WHAT WOULD  
FINANCIAL PLANNING BE LIKE  
IF CLIENTS PAID  
5X THE MONEY  
& INVESTED 10X THE TIME  
FOR A  
*“FINANCIAL PLANNING EXPERIENCE”?*

© 2013 Michael Kitces | [kitces.com](http://kitces.com)

Handouts/Materials: [kitces.com/CFA2016](http://kitces.com/CFA2016)

# QUESTIONS?

**Handouts & additional materials:**  
**[www.kitces.com/CFA2016](http://www.kitces.com/CFA2016)**

Contact: [michael@kitces.com](mailto:michael@kitces.com)