

# THE FUTURE OF FINANCIAL PLANNING IN THE DIGITAL AGE

5.3.16 | PERSHING

## MICHAEL E. KITCES

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

Partner, Director of Research, Pinnacle Advisory Group

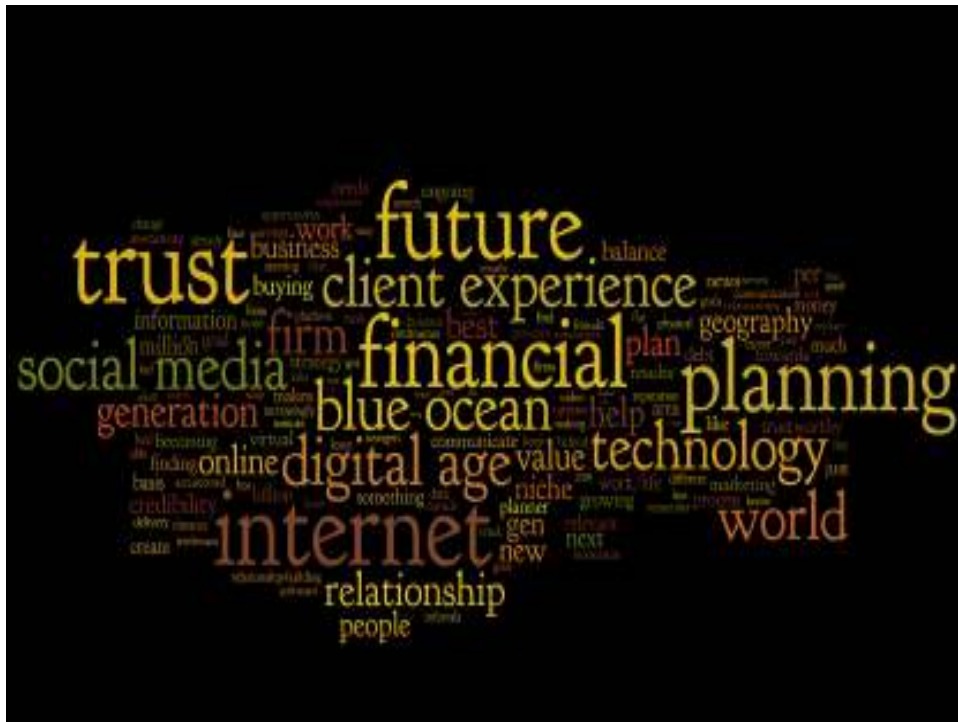
Publisher, The Kitces Report, [www.kitces.com](http://www.kitces.com)

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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)



# FINANCIAL PLANNING RELATIONSHIP OF THE FUTURE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

- 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

- 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

- 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

- 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

- 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

- Perry and Carl have never met in person



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

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

# RISE OF THE DIGITAL WORLD

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

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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](http://kitces.com)

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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](http://kitces.com)

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## BLUE OCEAN STRATEGY



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

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)



## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

# EXPLORING POSSIBILITIES

The screenshot displays the Pinnacle Advisory Group, Inc. software interface. At the top, the company logo and name are visible. Below the header, there are two circular gauges labeled 'Fig. 2016' and 'Scenario 2016'. The main area contains a table with columns for 'Item', 'Current Value', and 'Target Value'. The table lists various financial items such as 'Retirement - 401(k)', 'Retirement - IRA', 'Retirement - 529', 'College - Tuition', 'College - Room', 'College - Books', and 'College - Transportation'. The bottom of the interface shows a summary section with 'Current Value' and 'Target Value' for each category.

Item	Current Value	Target Value
Retirement - 401(k)	\$1,200,000	\$1,200,000
Retirement - IRA	\$500,000	\$500,000
Retirement - 529	\$100,000	\$100,000
College - Tuition	\$100,000	\$100,000
College - Room	\$100,000	\$100,000
College - Books	\$100,000	\$100,000
College - Transportation	\$100,000	\$100,000

© 2015 Michael Kitces | kitces.com Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

# BLUE OCEAN STRATEGY FOR PLANNING

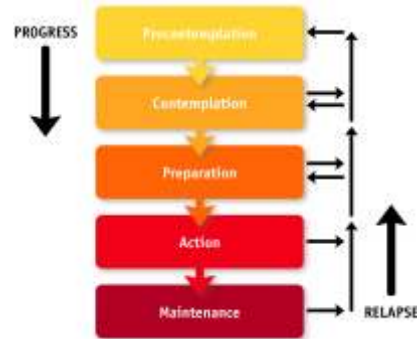
A large black rectangular area, likely a placeholder for a video. Below the video area, there is a caption and a URL.

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

© 2015 Michael Kitces | kitces.com

## FINANCIAL PLANNING = BEHAVIOR CHANGE

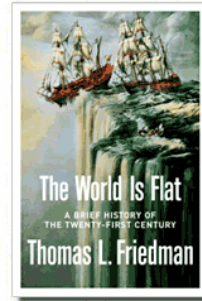
- Financial planning isn't successful until a client changes behavior
- Once clients implement a change, how do we support it?
- Gamification as reward
  - What if clients got an alert for succeeding on a goal?
  - Value of near-term reinforcement



## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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?)



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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



© 2015 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

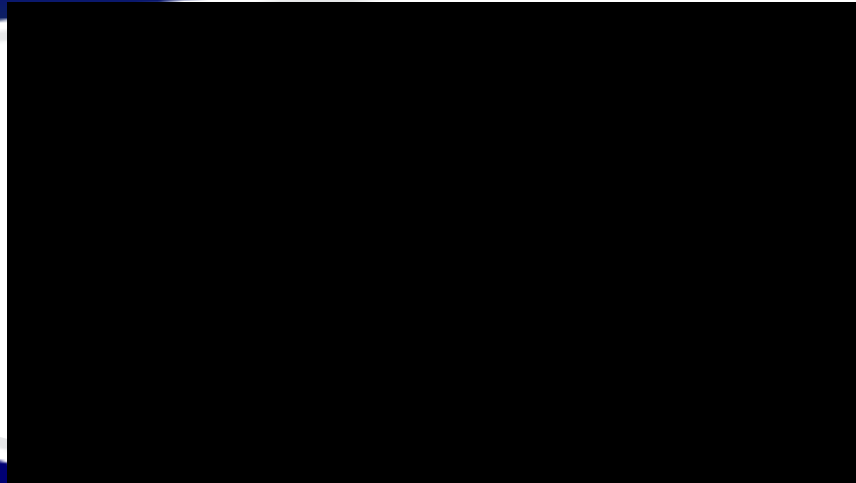
## MARKETING & GROWING IN A DIGITAL WORLD

- 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)




## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

# THE FINANCIAL PLANNING EXPERIENCE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## THE FINANCIAL PLANNING EXPERIENCE



© 2013 Michael Kitces | kitces.com

Handouts/Materials: [kitces.com/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

## 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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

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/PERSHINGMAY16](http://kitces.com/PERSHINGMAY16)

# QUESTIONS?

**Handouts & additional materials:**  
**[www.kitces.com/PERSHINGMAY16](http://www.kitces.com/PERSHINGMAY16)**

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