Five Industry Trends Reshaping Financial Advice

11.1.2017| Jackson

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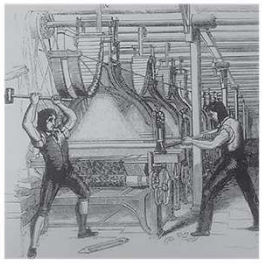
Five Industry Trends

- The Luddites



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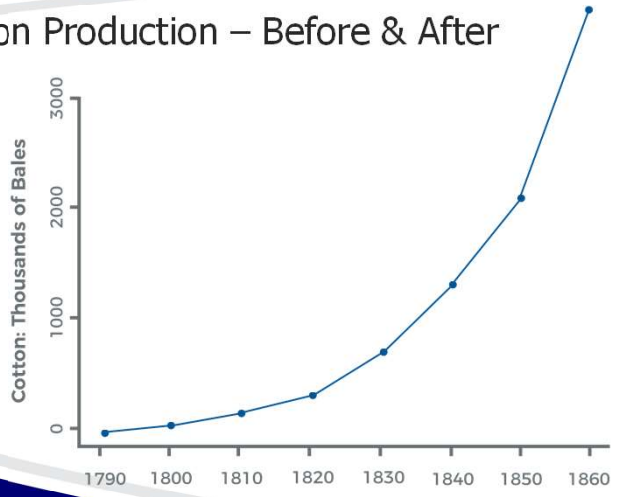
Five Industry Trends

- Cotton Production – Before & After



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Five Industry Trends

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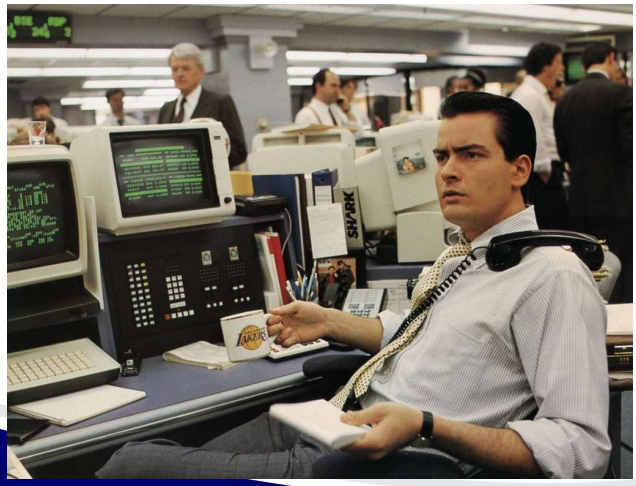
"Financial Advisor" of the 1970s/80s: STOCKBROKER!



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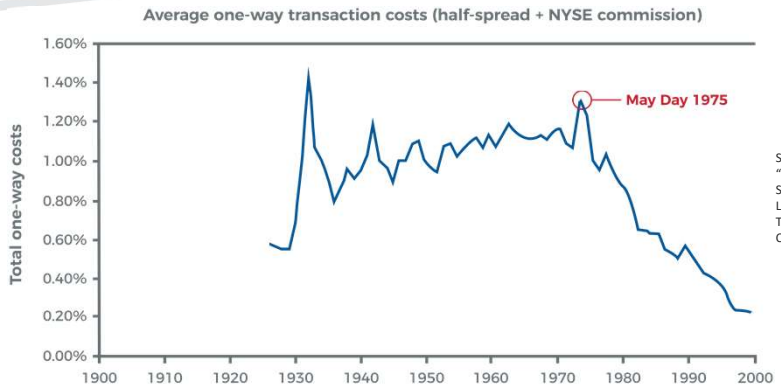

Source: "A Century of Stock Market Liquidity & Trading Costs" by Charles Jones

charles SCHWAB 1975 TD Ameritrade 1975 Scottrade 1980 E*TRADE 1982

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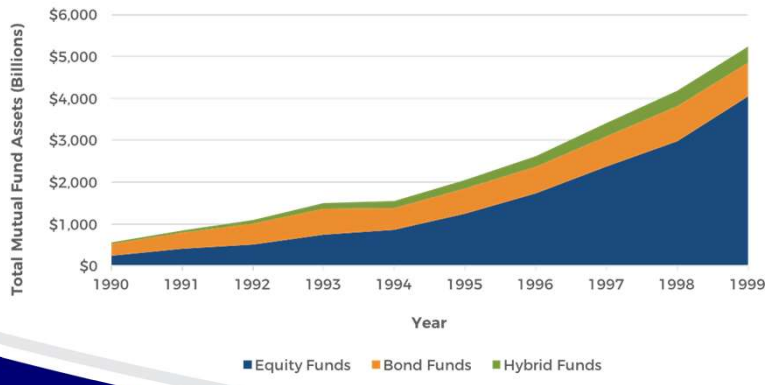
- "Financial Advisor" of the 1990s – MUTUAL FUNDS!



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- The online Mutual Fund Supermarket!

Forbes

8/24/1998 @ 12:00AM

Mutual fund supermarkets

LET'S FACE IT: Buying a mutual fund can be a pretty confusing business these days, what with the proliferation of funds, fund families and fund surveys. What's the best way to assemble a portfolio based on FORBES' recommendations without being swamped by paperwork or unnecessary charges?

Consider opening an account at a financial services organization with a so-called mutual fund supermarket. These programs allow no-load funds from different families to be bought without transaction fees while consolidating holdings in one statement.

Charles Schwab popularized the supermarket concept six years ago with its OneSource program. On Wall Street, as elsewhere, hot ideas quickly get imitated. Now more than 25 supermarkets vie for your attention and money.

charles SCHWAB
E*TRADE
TD Ameritrade
Kiplinger
Money
YAHOO! FINANCE
MORNINGSTAR

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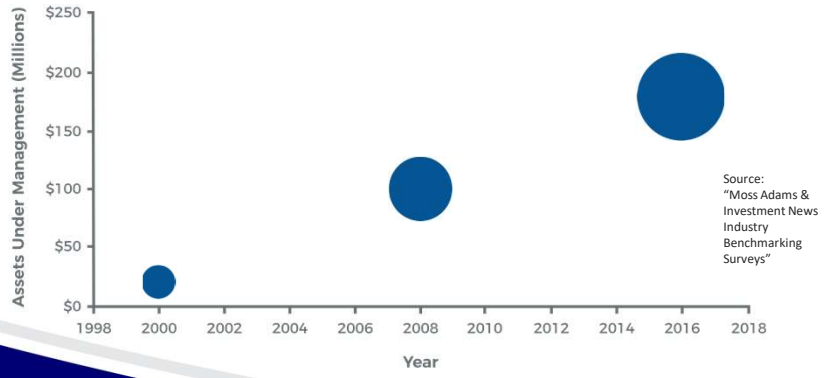
- "Financial Advisor" of the 2000s – ASSET ALLOCATION!



Source: "Moss Adams & Investment News Industry Benchmarking Surveys"

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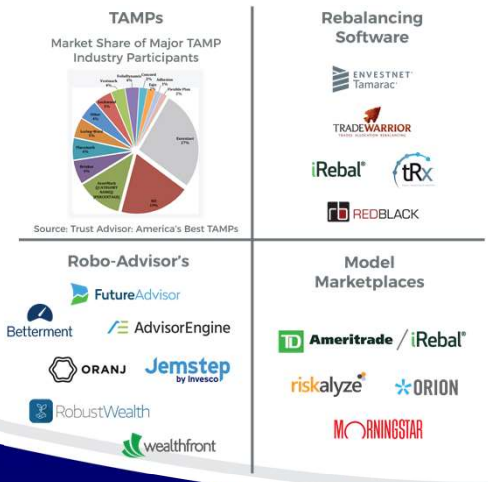
- But now technology is commoditizing it again!



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Technology & Financial Advice

- What Is The Value You'll Add On Top?

Investment Competency	Investment Competency	Financial Planning
Trading	Trading	Exploring Goals
Rebalancing	Rebalancing	Financial Planning
Tax Loss Harvesting	Tax Loss Harvesting	Behavior Change
Facilitating Saving	Facilitating Saving	

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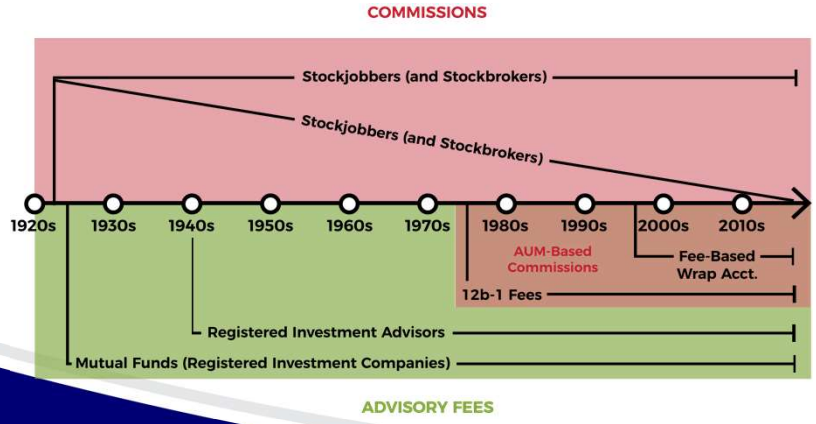
- Once upon a time, commissions were for products, and fees were for advice



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- Our regulations aren't built for all this advice!

	Investment Advisers	Broker-Dealers
Service	Investment Advice	Brokering & Dealing Securities Products
Solution(s)	Continuous & Regular Supervisory & Management Services	Stocks & Bonds Mutual Funds Brokerage Services
Registration Requirements	Register if "Engaging in the business of advising others on investments, for compensation"	Exempt if advice is "solely incidental to the brokerage services, & receives no special compensation"
Legal Standards	Fiduciary	Suitability

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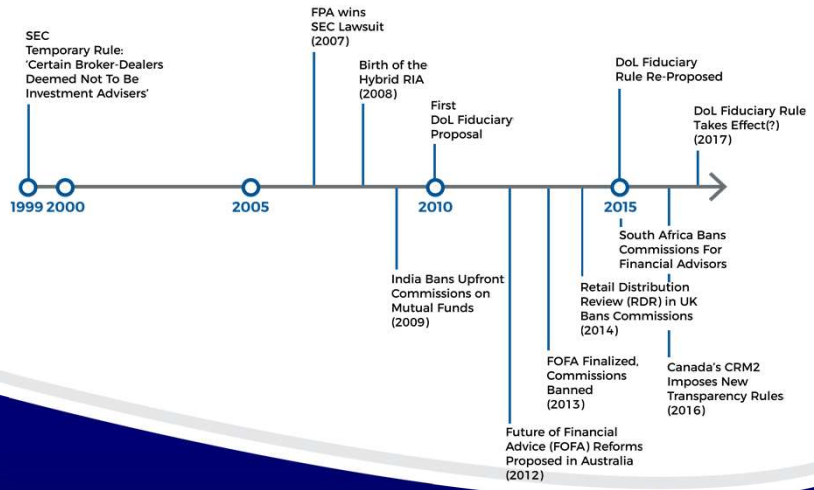
- The Great Convergence is triggering regulation



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- Regulatory change is not a cause, it's an effect!
  - …of the Great Convergence!
- The Fiduciary is a **global** phenomenon
  - …and the trend is towards less conflicted compensation
- But when we all converge towards the same business model, guided by the same regulation…

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Five Industry Trends

- The emerging Crisis of Differentiation

Source: FPA's Research & Practice Institute. "Defining and Communicating Your Value 2016: Trends in Practice Management Whitepaper"

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Five Industry Trends

- We're all going after the same (few) clients…

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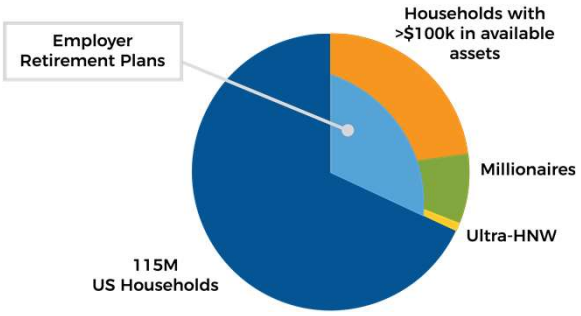
- But there just aren't many baby boomer delegators with money!



Source: "Spectrem Group, Market Insights Report 2016"

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- But not everyone is a delegator!

Source: "Forrester Research"

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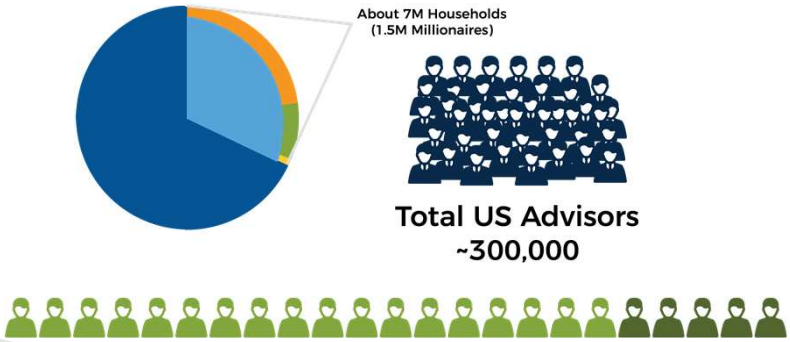
- How many baby boomer delegators are there…?
  - If 1/3rd of households are delegators…



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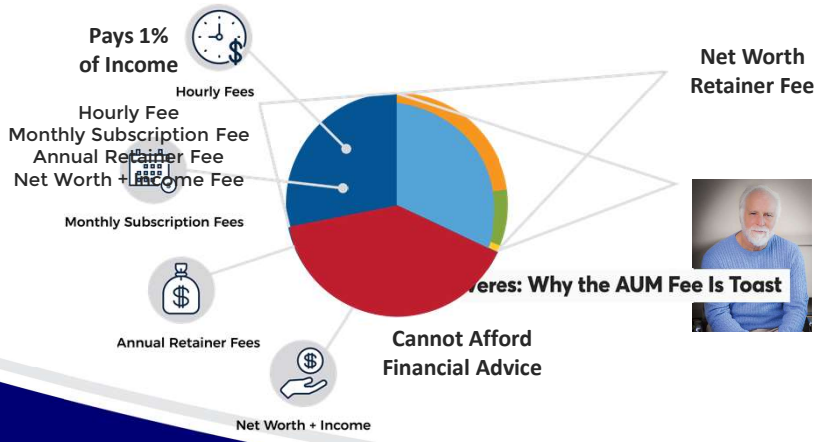
- The search for new business models



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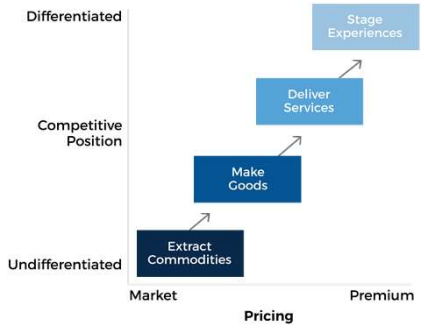
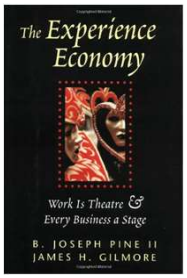
- The Experience Economy





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- The Financial Planning "Experience"

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The Catalyst: Generational Change (Digital Natives)

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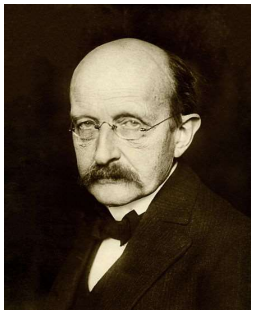
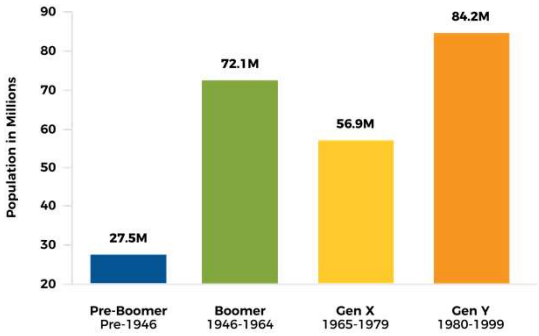


"Science Advances
One Funeral At A Time"



"Financial Planning Business Models Advance
One Retirement At A Time"

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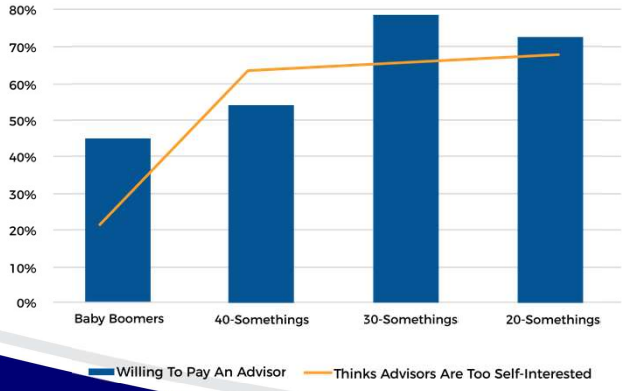
Five Industry Trends

- Younger generations are digital natives: Information is free… Wisdom is valuable



Source:
Cerulli Associates

Source:
Scottrade 2017
Retirement Study

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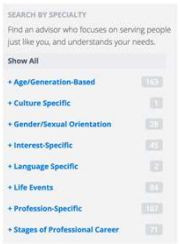
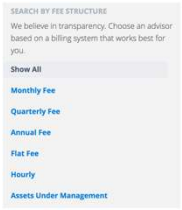
- Digital natives want solutions to problems





XY PLANNING NETWORK

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How To Survive (And Thrive)

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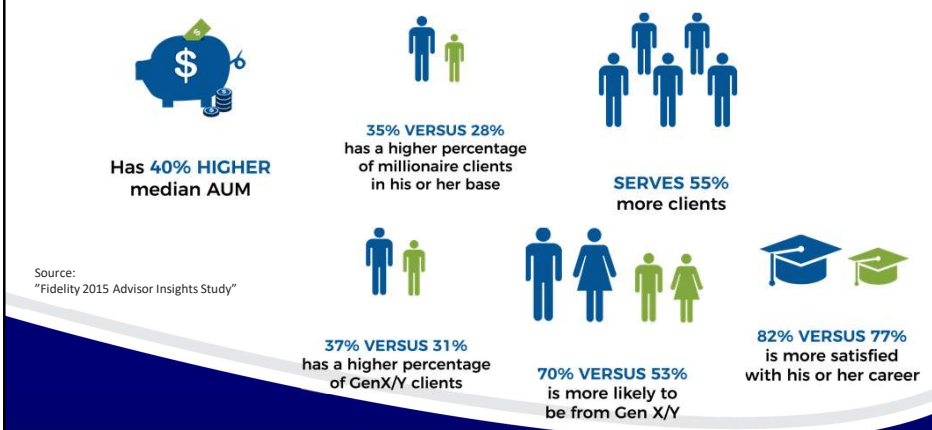
- Technology is no longer a choice, it's a necessity
  - And an opportunity!



Source:
"Fidelity 2015 Advisor Insights Study"

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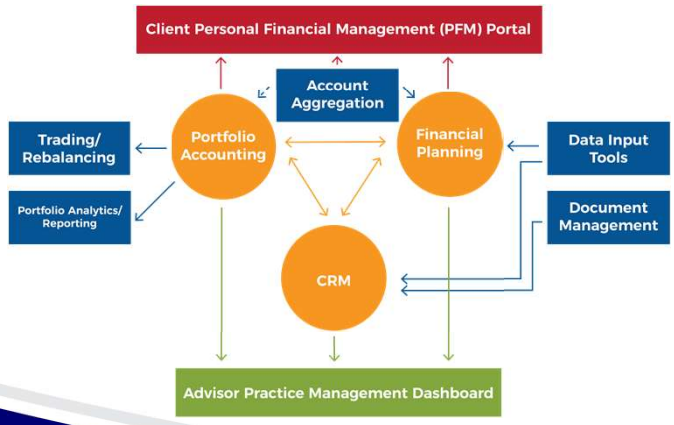
- What technology can you adopt/add?



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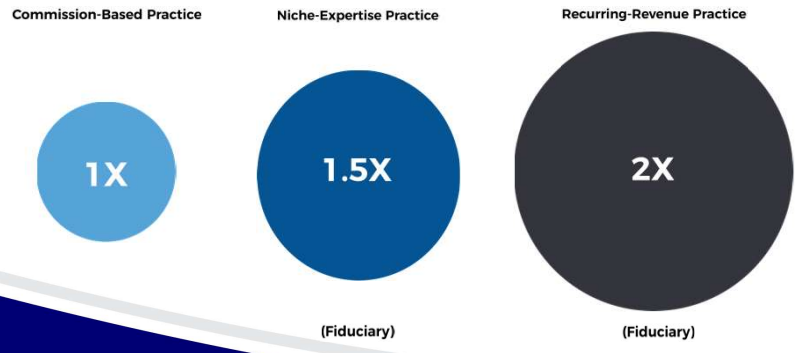
- The future is fiduciary. It's global. Embrace it.
  - And it's more valuable anyway!



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- Real differentiation isn't just financial planning.
  - What are you the best at?

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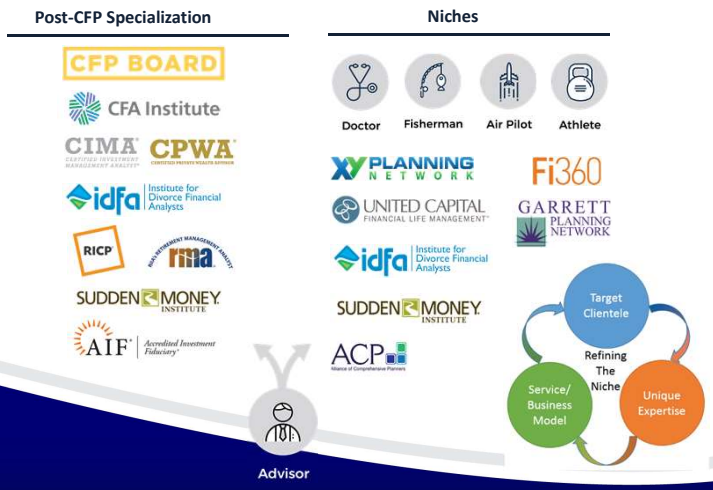
- Finding your niche/specialization



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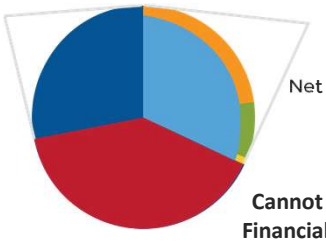
- What's YOUR business model in the future?

Pays 1% of Income

Hourly Fee
Monthly Subscription Fee
Annual Retainer Fee
Net Worth + Income Fee



Pays 1% of Assets

AUM Fees
Net Worth Retainer Fee

Cannot Afford Financial Advice

- Don't change your pricing to compete on price
  - Change who you serve, and price in a relevant way!

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- Are you selling a product, a service, or an experience?
  - Excellent experiences are standardized!

Image Source:
theodysseyonline.com (right), money.cnn.com (left)

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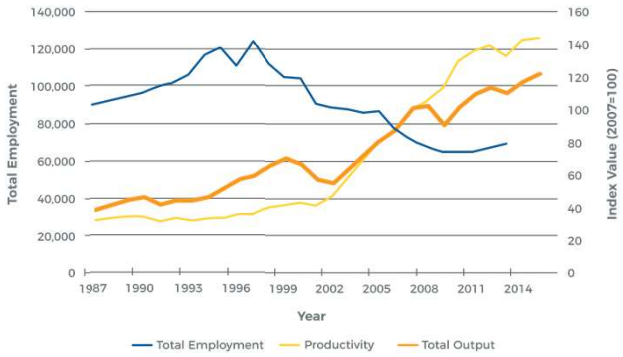
- The Internet vs. Travel Agents…



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