

Five Industry Trends Reshaping Financial Advice

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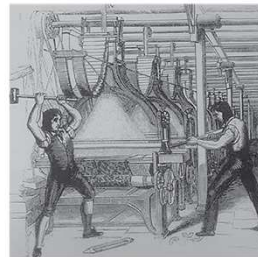
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Five Industry Trends

- The Luddites



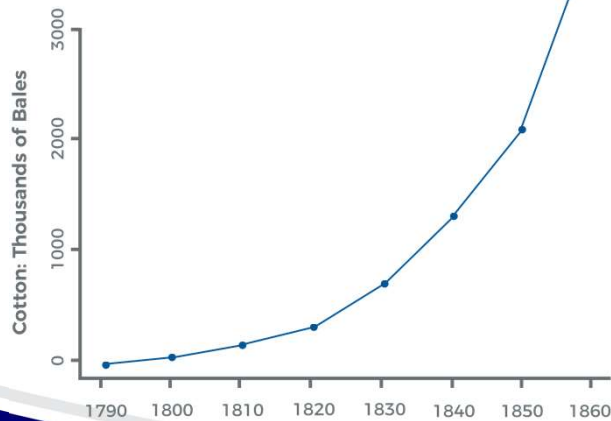
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Five Industry Trends

- Cotton Production – Before & After



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Five Industry Trends

Technology
The Great Convergence
Crisis Of Differentiation
The Search For New MODELS
The Client Experience

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“Financial Advisor” of the 1970s/80s: STOCKBROKER!

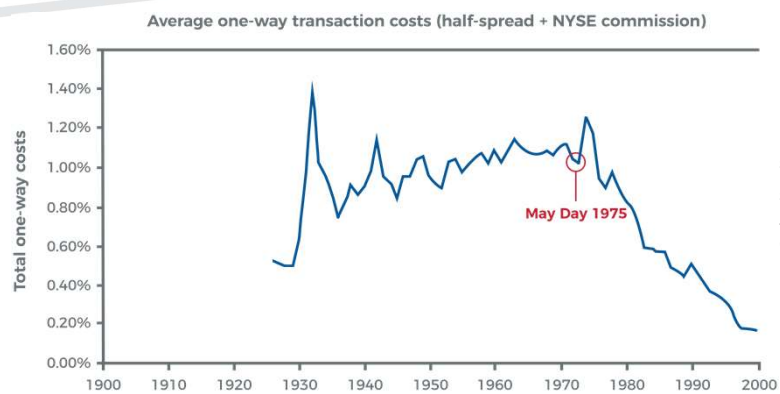


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Source:
“A Century of
Stock Market
Liquidity &
Trading Costs” by
Charles Jones

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

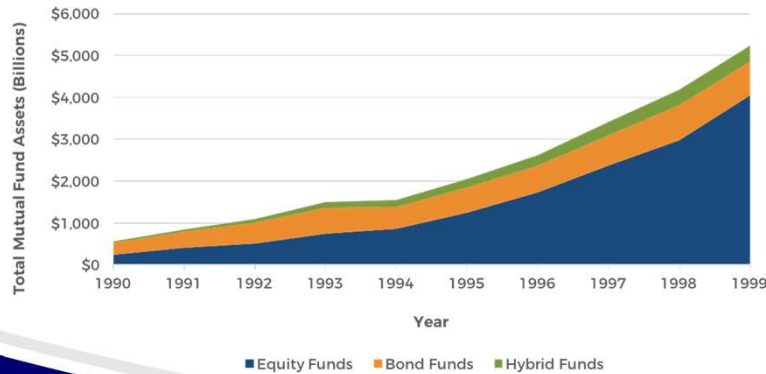
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Five Industry Trends

- “Financial Advisor” of the 1990s – MUTUAL FUNDS!



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Five Industry Trends

- The online Mutual Fund Supermarket!

Forbes

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

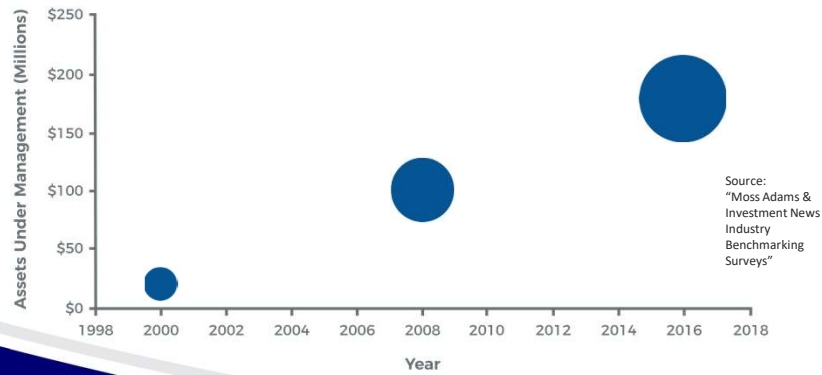
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Five Industry Trends

- “Financial Advisor” of the 2000s –
ASSET ALLOCATION!



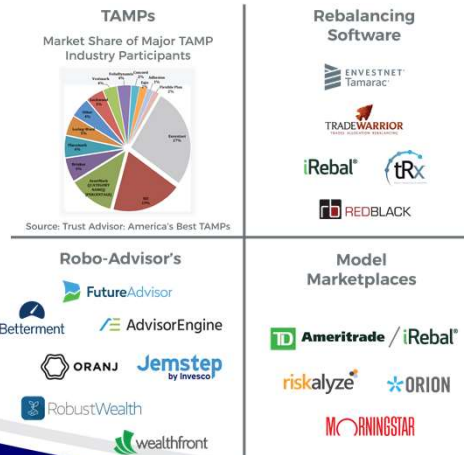
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- But now technology is commoditizing it again!



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Technology & Financial Advice

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



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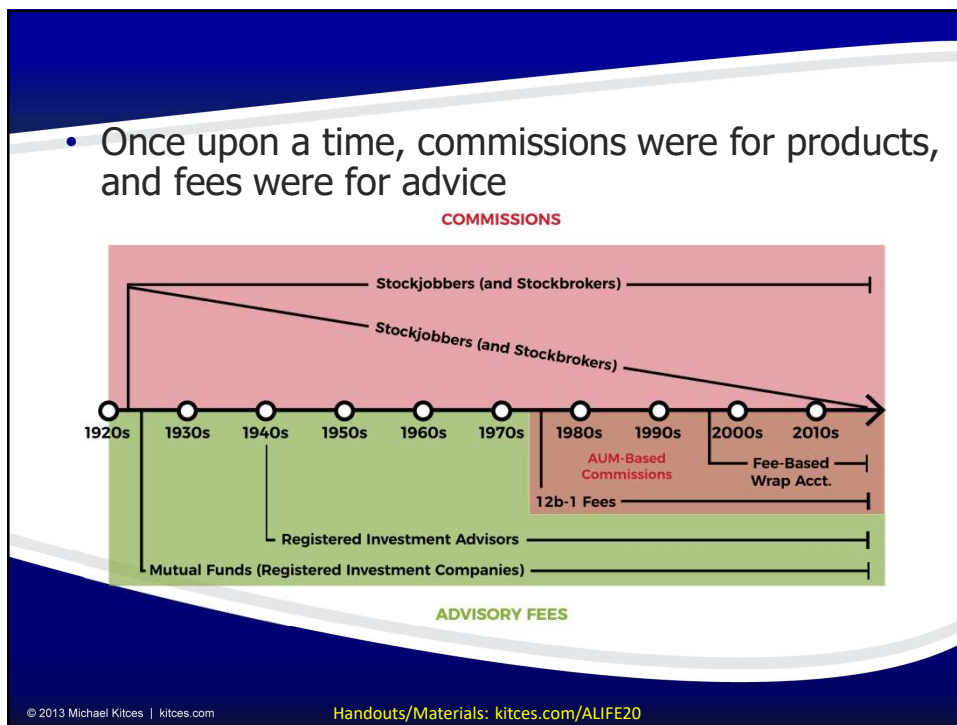
Technology
The Great Convergence
Crisis Of Differentiation
The Search For New MODELS
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- Once upon a time, commissions were for products, and fees were for advice



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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

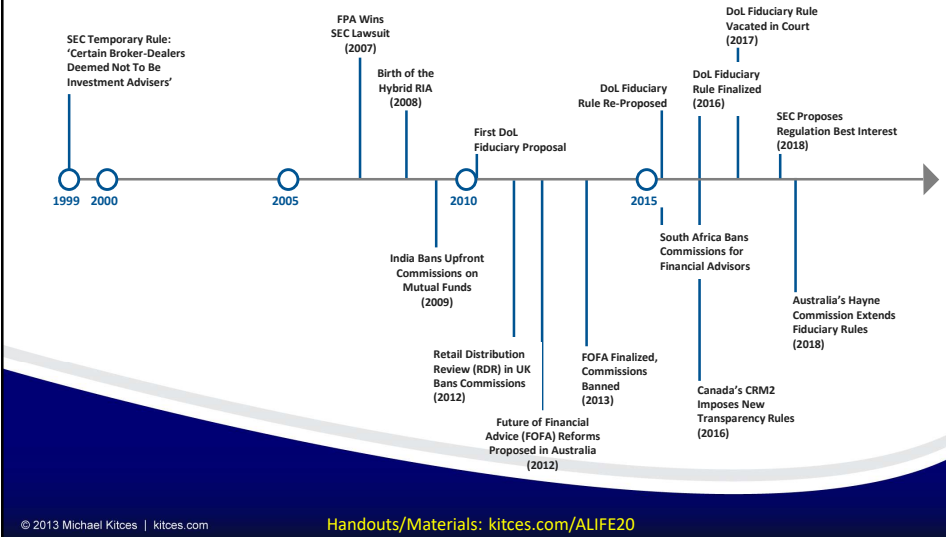
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- The Great Convergence is triggering regulation



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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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- The emerging Crisis of Differentiation

Ability to understand client needs & objectives	76%
Client Service	72%
The education we provide to clients	56%
Breadth of planning expertise	54%
The strength of our team	48%
Culture	44%
Investment process	38%
Knowledge of/experience in working with a specific niche market	37%
Breadth of investment expertise	35%
Range of products or services provided	34%
Technical expertise	33%
Profile/brand awareness in my market	21%

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

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



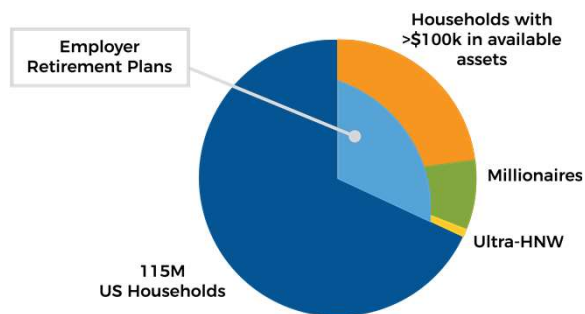
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Five Industry Trends

- 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"

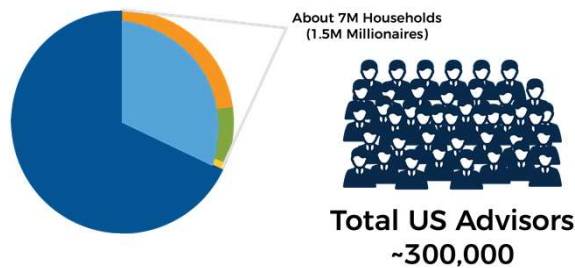
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- How many baby boomer delegators are there...?
 - If 1/3rd of households are delegators...



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Five Industry Trends

- The search for new business models

Hourly Fees

Monthly Subscription Fee

Annual Retainer Fee

Net Worth + Income Fee

Monthly Subscription Fees

Annual Retainer Fees

Net Worth + Income

Cannot Afford Financial Advice

Net Worth Retainer Fee

Kitces: Why the AUM Fee Is Toast

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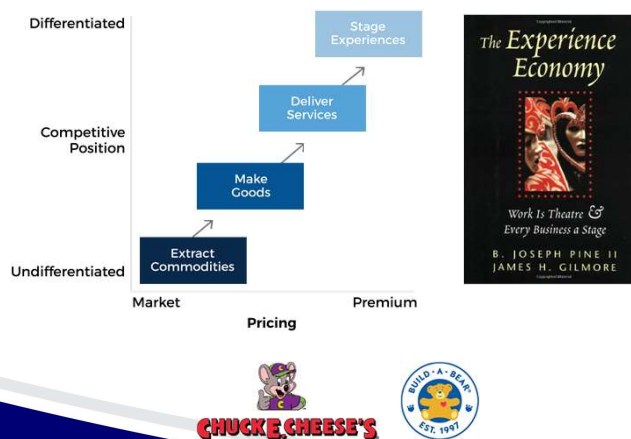
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- The Experience Economy



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- The Financial Planning “Experience”



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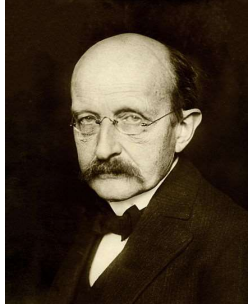
The Catalyst: Generational Change (Digital Natives)

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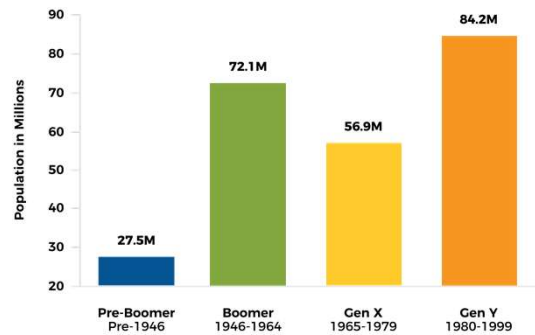
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"Science Advances
One Funeral At A Time"



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

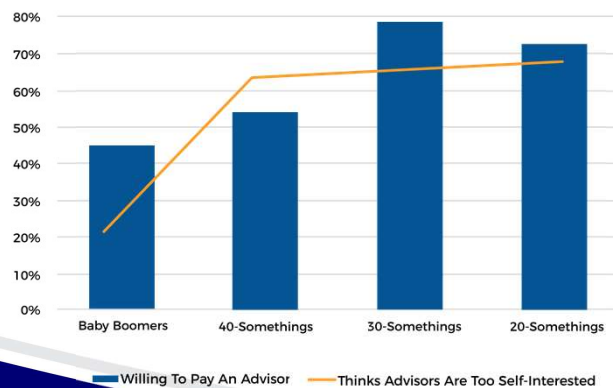
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- Younger generations are digital natives:
Information is free... Wisdom is valuable



Source:
Cerulli Associates

Source:
Scottrade 2017
Retirement Study

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- Digital natives want solutions to problems

SEARCH BY SPECIALTY
Find an advisor who focuses on serving people just like you, and understands your needs.

Show All	
• Age/Generation-Based	113
• Culture Specific	1
• Gender/Sexual Orientation	25
• Interest-Specific	63
• Language Specific	2
• Life Events	14
• Profession-Specific	102
• Stages of Professional Career	71

SEARCH BY FEE STRUCTURE
We believe in transparency. Choose an advisor based on a billing system that works best for you.

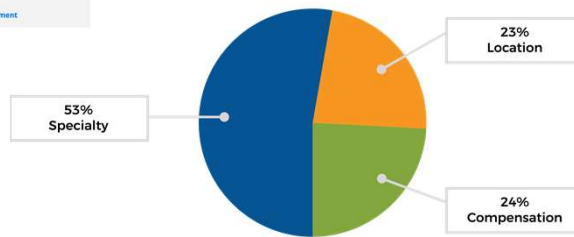
Show All	
Monthly Fee	
Quarterly Fee	
Annual Fee	
Flat Fee	
Hourly	
Assets Under Management	

FIND BY STATE
Prefer someone close by? You can also filter your results based on location.

Show All

XY PLANNING
NETWORK

How Consumers Search For Advisors



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How To Survive (And Thrive)

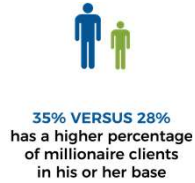
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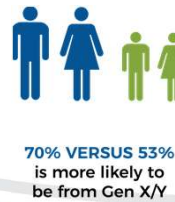
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- Technology is no longer a choice, it's a necessity
– And an opportunity!



Source:
"Fidelity 2015 Advisor Insights Study"



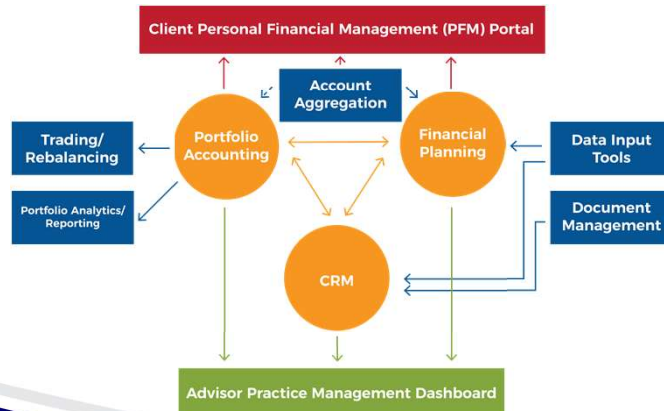
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- What technology can you adopt/add?



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

Commission-Based Practice

1X

Niche-Expertise Practice

1.5X

(Fiduciary)

Recurring-Revenue Practice

2X

(Fiduciary)

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



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wsj.com

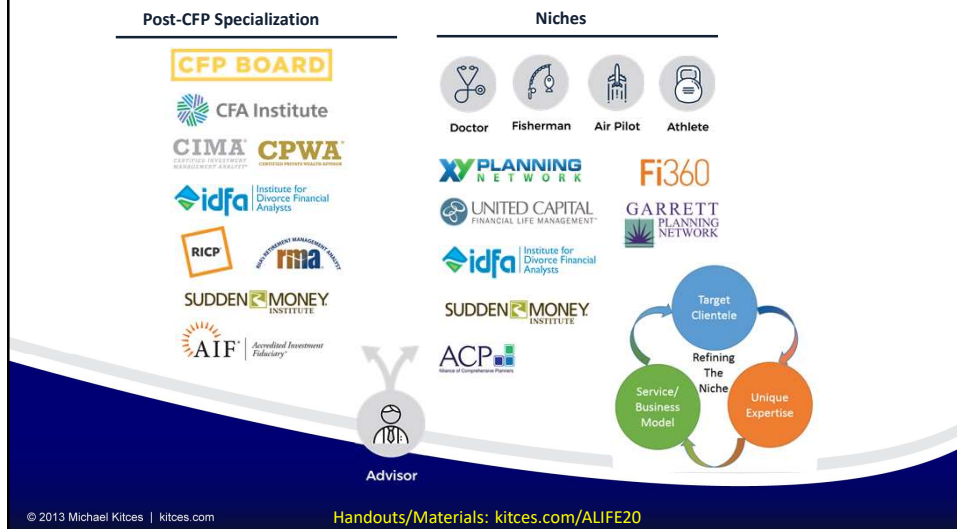
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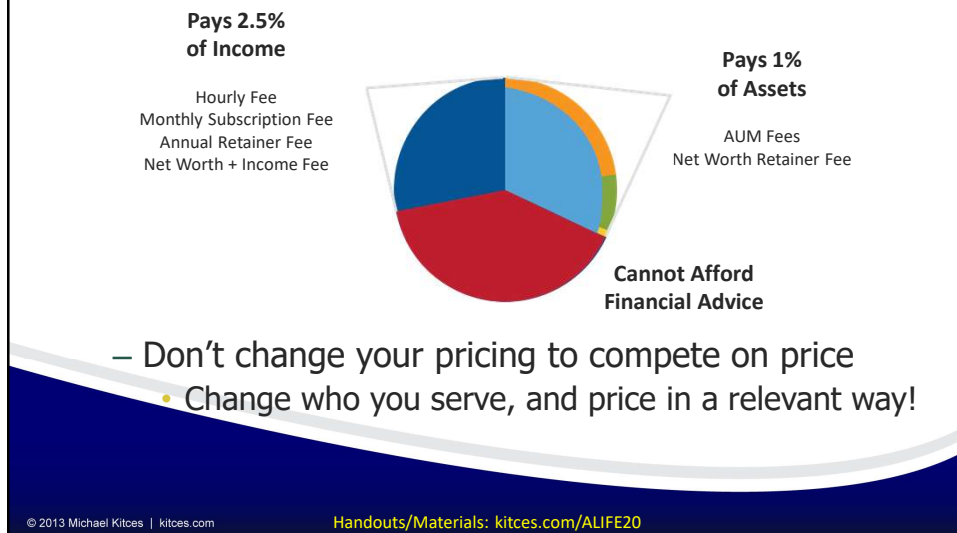
- Finding your niche/specialization



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- What's YOUR business model in the future?



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Five Industry Trends

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



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theodysseyonline.com (right), money.cnn.com (left)

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Travel on a Journey Made Just for You

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