The Top 10 Technology Trends for Financial Advisors and Financial Institutions

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Important technology trends are having a major impact on the lives of financial advisors, broker-dealers, and custodians. Companies that embrace them could increase their revenue, profits, employee satisfaction, and client satisfaction.

The trends vary in development and reach. Some may impact your business today. Others will make their mark in the future. And even those that seem less relevant to your daily life could dramatically change the lives of your key stakeholders.

The following list of trends is not ranked in any particular order, because the importance to you will vary based on several factors including your organization type, your role in the organization, and your business model.

Increasing technology capability (bandwidth, storage, computing power). This trend underpins all the others. The concept of increasing technological capability covers a lot of territory and includes cheaper/faster storage, increasing processing power, and increasing bandwidth/wireless speeds.

The amount of storage, processing power, and bandwidth that in the past was unaffordable or impractical for your organization now is becoming both practical and affordable. For example, 100 megabytes of storage cost more than $100 just a few years ago. Today, that same amount of storage is given away for free at trade shows in the form of a logoed memory stick.

The practical effect of this trend is that financial institutions can use the extra space to ensure compliance with regulatory and legal requirements. Or, a firm can store more data than ever before, creating a new division (or some might say a new problem) at financial services enterprises called “Business Intelligence.”

With increased computing power, cheaper storage, and faster network speed, firms should be thinking about what they can do to improve the quality of the client experience, make the underlying economics of the business more profitable, and ensure compliance with all of the appropriate regulatory and legal requirements. The key is to assess how you can do all three things simultaneously with previously unavailable levels of computing power.

Mobility. The world is quickly going mobile. In 2010, the number of mobile computing device sales (smartphones and tablets) for the first time exceeded personal computer sales, according to International Data Corporation (IDC). Globally, there are more than 6 billion monthly cellular subscribers.

What does this mean for financial enterprises and advisors? Quite simply, firms need to prepare for a near future where an increasing number of advisors and clients is accessing accounts via mobile devices. In practical terms, firms need to ensure that their websites and online resources are mobile-compatible. What might look good on a personal computer may not work on a mobile device. This development also opens up new ways for firms and their clients to communicate and manage interactions.

For example, some financial-advisor websites use Flash as the technology that powers the user interface (Flash is an online software product that enables animation). Unfortunately, many mobile devices do not support Flash. That means firms may have to spend considerable resources rebuilding their online tools so they work in a mobile environment.

In addition, mobile computing introduces an entirely new level of security. Obviously mobile devices are easier to steal. Where does client data reside? How secure are passwords? As mobile computing advances at light speed, it will be important for firms to stay up to date with the latest technologies because clients will expect it.

At the same time, firms will want to step back and not get caught up in the latest mobile bells and whistles until the security ramifications are clearly understood.

The integrated workstation. Advisory firms today desire the deployment of integrated technology platforms that seamlessly deliver capabilities such as customer relationship management, portfolio management, document management, financial planning, rebalancing, compliance, etc. In the past, advisors would have different software packages to manage all of these functions, and data needed to be downloaded and then uploaded between programs or input manually. Now, the expectation is that data will flow easily and error-free between programs.

As a result, firms may need to replace existing software, even though the software itself continues to do a great job for its defined purpose. You may find that when you start replacing or updating one software package, you’ll also need to look at the entire ecosystem to see how various software vendors interact with each other. This trend combined with cloud computing enables the elusive integrated advisor workstation.
For enterprise firms, the expectation by advisors is that the firm will offer integrated products and/or pay for integration to be set up between different programs. The cost of updating and replacing software can be significant, not only in the technology costs but also in the data integration itself and the training required to use the new software.

Integrated workstations open up new ways for firms to understand how they are meeting the needs of their employees and clients. By refining their processes to take advantage of these new capabilities, firms can significantly increase client satisfaction while improving the firm’s profitability.

Integration. Along with integrated workstations comes the trend of more overall integration. The expectation is that all software products, not just those directly related to financial services, will seamlessly integrate.

Total integration means that data from e-mail to word processing to marketing resources will likely need to be input only once. The benefit of this trend is the reduction of redundant manual data entry, which could save an advisory firm hundreds of hours per year—time that could be better spent directly serving clients and/or building the business. It also opens up capabilities and services that were previously too expensive for the advisor to provide.

To secure the benefits of integrated workstations and/or integration, a firm may need to devote significant resources to the effort, with the recognition that short-term revenues and profits may take a hit as people devote time to train on new systems and make the integration work. But in the long term, the payback will be tremendous.

Workflow. Many new software applications come with built-in workflow capabilities that allow advisors to systematize their work. Systematization ensures that the client experience is consistent regardless of who in the firm is working with a client. In addition, the efficiencies created by systematization allow the advisor to again spend more time providing more value to existing clients and/or more time working to grow the business.

If you’re an advisor, the workflow trend means that you will need to invest both time and money mapping out your firm’s workflow and how you and your firm complete things, down to the task level. This most likely means dedicating internal resources or outsourcing the workflow documentation, because it is nearly impossible for you to accurately map out all of the necessary steps related to completing a task. It’s not that you don’t know the steps; rather, it’s because you’re “unconsciously competent,” meaning that you take many steps and complete tasks that you don’t even realize you’re doing. But to effectively map out workflow, you need to document every one of those steps.

The good news is that advisory firms that embrace the workflow trend and systematize the business will have a higher valuation than firms that do not. That’s because a firm that has properly mapped workflow and embedded processes into software is a firm that is not reliant on one person and his or her unique way of doing things. It allows a firm to recruit the best advisors and to quickly get them up to speed on the firm’s way of doing things.

Cloud-based computing. Cloud-based computing relies on remote server bays operated by a third party. By renting cloud-based server space and using high-speed wireless Internet access, anything stored in “the cloud” can be accessed just about anywhere, at any time, on any device that is connected to the Internet.

The greatest trend related to cloud-based computing is that software no longer needs to reside on the user’s computer. Instead the software program actually resides in and is accessible from a cloud-based server. As a result, firms that use cloud-based software don’t need to purchase and maintain their own often high-priced server storage rooms or maintain multiple software licenses. Software can be purchased on a per-user license, and in effect, only one version of the software needs to be maintained because all users will access the same core program.

The cloud-based computing trend also brings an entire new level of security, back-up, and compliance issues. As you look to take advantage of cloud-based computing, make sure to speak with others in the financial services industry and educate yourself on best practices related to security and compliance.

Outsourcing. Outsourcing is no longer a negative term associated with shipping jobs overseas. It is not something done to replace menial manual tasks. Rather, outsourcing is becoming a mainstream way of getting more done with less. The outsourcing trend, thus, is the continued evolution of outsourced solutions.

There is a lot to be said for the phrase “focus on what you’re good at and outsource the rest.” If you’re a great financial advisor, that doesn’t mean you’re a great advertising copywriter. The key to effective outsourcing is figuring out what you’re good at and what you like to do, and then outsourcing the rest to others who have specific talents for specific tasks.

Firms exist that specialize in financial advisor outsourcing, meaning that they are staffed with experienced financial services professionals who have specific talents. Consider again the workflow trend to realize the advantage of outsourcing. Yes, the outlay of cash to pay for outsourcing can be expensive. But what you get in return are professionals who spend thousands of hours each year mapping out workflow and processes for financial services firms and know how to do it right. The alternative is to do it yourself and risk getting it wrong and causing internal problems for your firm. The bottom
line: The cost to outsource can be an incredible deal with superb return on investment.

The outsourcing trend for financial enterprises is that many advisors expect their broker–dealers or custodians to provide pre-approved outsourcing partners, and some advisors believe the enterprise ought to pay for some if not all of these outsourced services directly.

Social media. For those in the financial services industry, there are really two core uses for social media. The first is an obvious one, as a new medium for communication. The second is less obvious but just as powerful, and that is as an intelligence-gathering tool.

The most obvious role that the social media trend plays is with marketing. It is now easier than ever for advisors to cost-effectively communicate with clients and prospects. As a marketing vehicle, social media must be considered like any form of advertising and thus falls instead of in-person meetings and e-mails. For example, software such as Yammer and Chatter make it easy for employees to share their work and discuss project status and other work issues in real time. Online collaboration tools such as Tracky provide full project management capabilities using a private Twitter interface.

Advisors also can use social media as an intelligence-gathering tool. For example, if you’re meeting with a new prospect who is a business executive, it’s likely that the individual has a LinkedIn account that you can review before the meeting. By doing some homework, you will know the prospect’s work history, education, likes/dislikes, and even personal information before you walk in the room. Used correctly, this information allows you to connect on a more meaningful level, ensure relevancy, and allows you to ask more personal, value-based questions.

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under the same compliance regulations and guidelines. If your firm says that a brochure needs to be pre-approved, then your post on Twitter probably needs to be pre-approved. If your firm requires you to archive every marketing e-mail you send, then you most likely need to have software that automatically archives every Facebook post.

At issue is not only legal compliance. Anyone in business—and advisors in particular—need to be very careful what they post online because of reputational compliance. It’s important to remember that anything in digital format can be archived and searchable, forever.

Another trend is using social media tools for internal communications By doing this intelligence gathering, you gain another very powerful benefit. You know who your clients know. Or said another way, you can mine your clients for leads.

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Crowdsourcing. Crowdsourcing is the act of sourcing tasks traditionally performed by specific individuals to a group of people or community (crowd) through an open call. Where the outsourcing trend discussed earlier typically involves hiring an individual or firm to perform a task, crowdsourcing often is accomplished for free and the group of people helping often is anonymous with no affiliation to your firm.

Crowdsourcing really grew out of the technical arena. With the advent of chat rooms, information-technology developers would post their technology challenges online and other tech experts would answer questions, thus providing value to the entire group. To see an example of this, do a Google search on “Windows 7 error message opening Word documents” and you’ll find millions of results where people are sharing answers. Some of the best examples of crowdsourced products are open-source software. Most websites use the Apache web server, which was created by a community of developers working together.

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Big data. The big data trend is the explosion of the amount of data available in unstructured formats. It is data-sets that become so enormous that they cannot be processed using conventional methods.

One challenge with this trend is that because it is now so easy to collect data, you must determine which data are relevant and important to collect. Literarily everything done on your website and with your digital resources—whether by clients, prospects, employees, and/or business partners—can be tracked. Many executives tend to want to track everything, assuming that if

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they have the information, they’ll use it to make better business decisions.

Don’t get bogged down in the big data trend. Rather, start by taking a critical look at what information you would like to have and how that information would help you make better decisions. By knowing what you want to achieve and envisioning how your business would be different if you had the right information, you can make a better decision on which data to track, how much data to track, and how these data will be analyzed.

It is important to recognize that although you have data, you may not have the computing software and hardware power to look at it. Yes, it is true that your smartphone has more computing power than there was in all the supercomputers that put Neil Armstrong on the moon. However, with millions and sometimes billions of data points to sift through and manage, even the most-powerful desktop computer probably doesn’t have what it takes to make sense of reams of data. Thus, the big data trend is directly related to other trends because to take advantage of big data, you’re likely going to need to invest in cloud-based storage and computing services.

As you think about these trends, keep in mind that each represents a change and a challenge. However, any growing pains ultimately will be worth it because each trend represents new opportunities for your firm to increase revenue, become more efficient, and better serve clients. Keep these trends in mind as you plan for your business, and ask yourself which ones are relevant to you and how you might best implement them to achieve your personal and business objectives.

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