Practical Perspectives

Strategic Problem Solving for the Asset Management Industry

The Changing Role of Financial Advisors

Q3 2018

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I. Executive Summary

The role of the financial advisor has evolved considerably over time reflecting the impact of societal, regulatory, technological, and other market forces. Advisors remain a key conduit for distribution of products and services with asset managers, insurance firms, distribution platforms, and other providers all highly focused on serving the shifting needs of advisors. It is important to consider from the perspective of advisors how they envision their role and practices continuing to change in the foreseeable future. These insights can help firms create more effective strategies and tactics in support of business development, sales, service, marketing, and new products targeting the advisor population.

Several key observations emerge from the research including:

- Most advisors position their support to clients as financial planning or investment advice, but expect their ongoing impact will be most profound as a planner, financial concierge, or educator rather than as a money manager
- Advisors feel well prepared to meet the needs of clients, although somewhat more confident in support for existing compared to prospective clients
- Key ongoing challenges for advisors relate to attracting new clients, streamlining or scaling their practice, and navigating compliance or regulatory issues (especially broker dealer advisors) and these align closely with key risks that might impair their ability to serve clients
- The most significant needs for additional support are in building a practice, operating efficiently, and leveraging technological advancements
- Most advisors expect the size of their practice will continue to grow in the foreseeable future and expect their role as an advisor will change modestly or in minor ways
- The most significant shift expected by advisors in how they operate is using digital or technology-based approaches to service clients
- Baby boomers and Generation X members are the primary client segments advisors expect to serve five years from now

- A considerable portion of advisors (especially in broker dealer channels) expect to transition away from their role as a full-time advisor within the next 10 years
- In their own words, advisors expect the most significant changes to their role will include increasing focus on planning rather than investment management, delivering support as a coach, planner, guide or for non-investment needs, differentiating their practice versus other advisors, and leveraging technology

Several key conclusions and themes emerge from the findings:

- Delivering Value through Planning and Guidance – It is clear from the research that advisors expect the value they deliver to clients going forward will increasingly come from planning and education rather than investment management or products. While many RIAs have already adopted a planning focused orientation, within broker dealer channels (especially Full Service) the transition to a planning and guidance role will be more pronounced. The shifting role of the advisor will also reflect some generational differences and be complicated by the substantial number of advisors who expect to transition from full-time status within the next 10 years.

- Aligning Key Risks/Challenges with Additional Support – There is significant consistency in the key risks and challenges advisors believe they will face and the added support many want and need. Most advisors consider building a practice and being efficient in delivering support to a growing client base as key challenges that must be addressed. Many also believe the uncertainty associated with compliance and regulatory issues looms over their practice and can undermine the future. The solution for most advisors is leveraging technology, which many expecting increasing delivery of support through digital capabilities. Helping advisors integrate and embrace technologies in a seamless fashion is crucial, especially for more established advisors who may be less facile with using technologies than younger advisors.

- Younger Advisors: The Harbinger of the Future? – Younger advisors, especially those age 40 or younger, have some clear differences compared to older practitioners. Many older advisors expect to exit the industry within the next 10 years. The attitudes and behaviors of younger advisors need to increasingly be in the forefront as providers and platforms map out their longer-term strategies and create programs and capabilities to engage advisors. Firms should address younger advisors as a crucial segment and not as a novelty, with specialized support, outreach, and relationship building used by providers and platforms to deepen relationships and create interest and loyalty. Among the important ways younger advisors are distinct include defining their role as a planner and less as an investment manager, needing support for running an efficient practice, having less concern in leveraging innovative technologies, and much more likely to expect continued growth of their practice.

- Product Providers and Platforms: Engaging with Advisors – Product providers, distribution platforms, and others service providers will have significant opportunity to engage with advisors and assist them in successfully adapting to new client demands, shifting regulatory requirements, emerging technologies, and the expanding range and depth of skills needed to function in this role. It is also apparent that firms looking to support advisors must adopt a more targeted and segmented approach that reflects an increased fragmentation of the advisor audience. Firms that try and serve advisors as a monolithic group with consistent needs and expectations will be at a disadvantage to providers and platforms that have a more nuanced approach that addresses advisors on an individualized and customized basis. This goes beyond the channel oriented strategy which many organizations have in place today.

Trying to predict the future is fraught with challenges, especially with so many internal and external factors helping to shape the direction of the role of the advisor. Nonetheless, clear patterns are evident and firms reliant on advisors as intermediaries would be wise to keep these anticipated changes in mind when crafting strategic and tactical plans.

II. Introduction and Methodology

The role of the financial advisor has evolved considerably over time reflecting the impact of societal, regulatory, technological, and other market forces. Advisors remain a key conduit for distribution of products and services with asset managers, insurance firms, distribution platforms, and other providers all highly focused on serving the shifting needs of advisors. While any prediction of the future is by design fraught with uncertainty and unknowable factors, it is nevertheless important to consider how the role of the advisor may continue to change in the foreseeable time to come. These insights can help firms create more effective strategies and tactics in support of business development, sales, service, marketing, and new products targeting the advisor population.

Our goal in this new research report from Practical Perspectives - a leading consulting and research firm focused on support for wealth management firms, product providers, and distribution platforms - is to share up-to-date insights from advisors regarding how they expect their role may change and the challenges and needs that are most acute. This report is not intended to be the definitive roadmap for how the role of advisors will evolve. Rather, it was developed to provide high-level insights and share the voice of advisors, and in turn, offer product providers and distributors fresh perspective that can further inform strategic and action planning.

"**The Changing Role of Financial Advisors**" examines advisor perspectives on how the support they provide and their engagement with clients may change going forward. The study also examines the challenges and risks advisors anticipate they must overcome and key needs for additional support. The report breaks out data and findings for the entire sample and for key advisor channels – Wirehouse/Regional broker-dealers (Full Service), Independent broker-dealers, and RIAs (not affiliated with a broker-dealer).

Among the key questions addressed in this report are:

- How do advisors position their support to clients and prospects and what role do they believe will have greatest impact going forward?
- How well prepared are advisors to meet the needs of existing and prospective clients?
- How do advisors expect the size of their practice to change and what aspects of support they offer will likely shift the most going forward?
- To what extent do advisors anticipate their role as an advisor will change over the next five years and what aspects of support do they perceive as changing the most?
- What specific risks and challenges do advisors believe they must overcome in the years ahead?
- What aspects of additional support are most important to advisors to meet these future challenges?
- Which types of clients do advisors anticipate will comprise the primary audience they serve five years from now?
- In their own words, what do advisors consider the most significant changes to their role going forward?
- At what point in time do advisors anticipate transitioning from their role as full-time practitioners?

This report is based on input from a randomly selected cross-section of advisors spanning key channels. In August 2018, advisors were asked to participate in a proprietary online survey regarding their insights concerning their role as an advisor. More than 350 advisors provided confidential responses that form the basis for this report. Advisors did not receive any compensation for participation in the survey. A breakout of respondents by key characteristics is as follows:

- Affiliation
    - Full Service BD - 23%

  - Independent BD – 43%
  - RIAs – 32%
  - Other BD – 2%

- Experience
  - Less than 5 years – 2%
  - 5 to less than 10 years – 11%
  - 10 years to less than 15 years – 19%
  - 15 years to less than 20 years – 19%
  - 20 years or more – 49%

- Assets Under Management
  - Less than $50 million – 39%
  - $50 million to less than $100 million – 25%
  - $100 million to less than $250 million – 22%
  - $250 million or more – 15%

- Practice Structure
  - Solo practitioner – 52%
  - Small team (10 or fewer) - 43%
  - Large team (more than 10) – 5%

- Age
  - 40 or younger – 14%
  - 40 to 50 – 21%
  - 50 to 60 – 28%
  - 60 or older – 38%

III. Detailed Research Findings

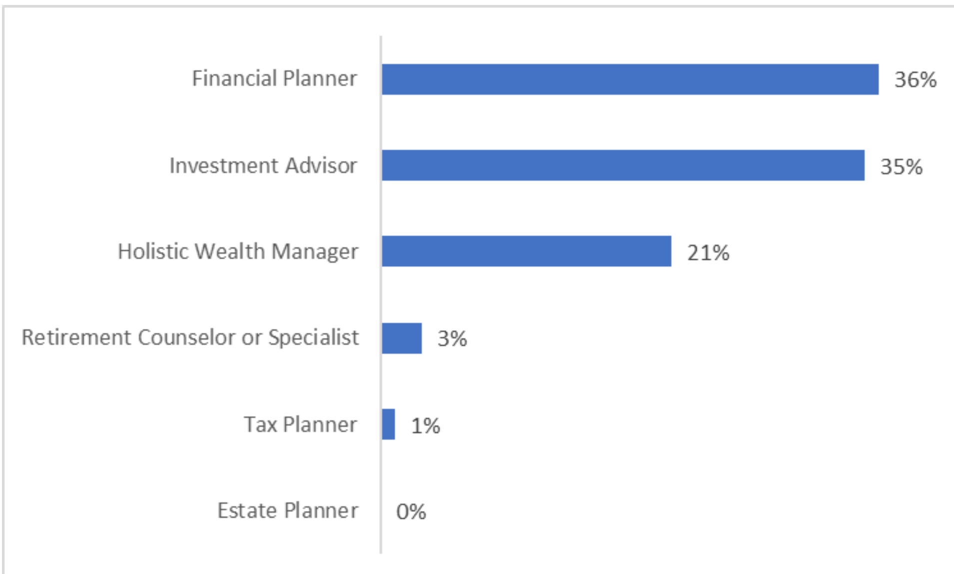
Key Takeaways:

- **Most advisors position their support to clients as financial planning or investment advice, but expect their ongoing impact will be most profound as a planner, financial concierge, or educator rather than as a money manager**
- **Advisors feel well prepared to meet the needs of clients, although somewhat more confident in support for existing compared to prospective clients**
- **Key ongoing challenges for advisors relate to attracting new clients, streamlining or scaling their practice, and navigating compliance or regulatory issues (especially broker dealer advisors) and these align closely with key risks that might impair their ability to serve clients**
- **The most significant needs for additional support are in building a practice, operating efficiently, and leveraging technological advancements**
- **Most advisors expect the size of their practice will continue to grow in the foreseeable future and expect their role as an advisor will change modestly or in minor ways**
- **The most significant shift expected by advisors in how they operate is using digital or technology-based approaches to service clients**
- **Baby boomers and Generation X members are the primary client segments advisors expect to serve five years from now**
- **A considerable portion of advisors (especially in broker dealer channels) expect to transition away from their role as a full-time advisor within the next 10 years**
- **In their own words, advisors expect the most significant changes to their role will include increasing focus on planning rather than investment management, delivering support as a coach, planner, guide or for non-investment needs, differentiating their practice versus other advisors, and leveraging technology**

A. What do advisors view as their most impactful role in engaging with clients?

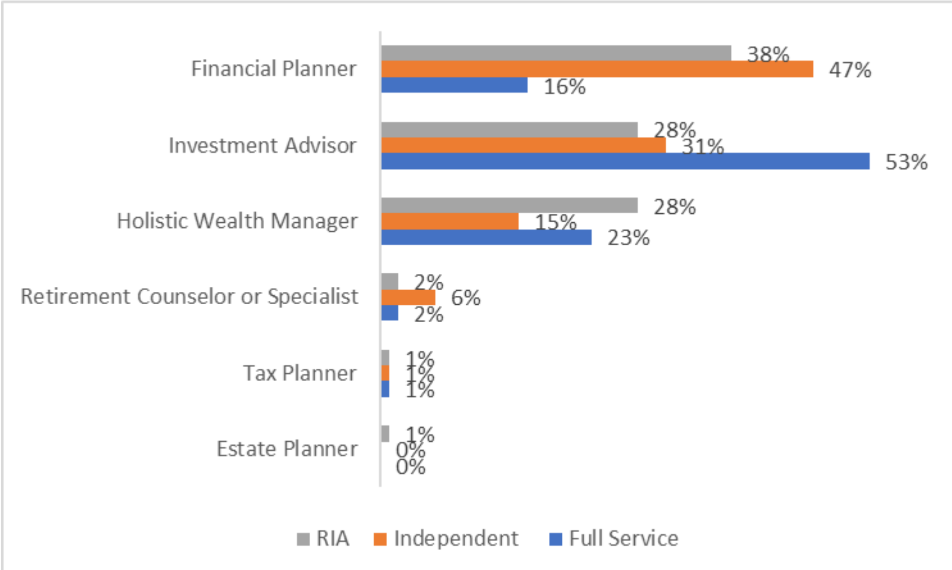
Advisors are divided in how they currently position their support to clients and prospects. Roughly 1 in 3 advisors, or 36%, describe their role as providing financial planning support. A similar number of advisors, or 35%, more prominently feature their role as an investment advisor. An additional 1 in 5 advisors, or 21%, consider themselves to be holistic wealth managers. Few advisors position their role narrowly as specialists such as retirement counselor, estate, or tax planning.

Exhibit 1: How Advisors Position Their Support to Clients and Prospects



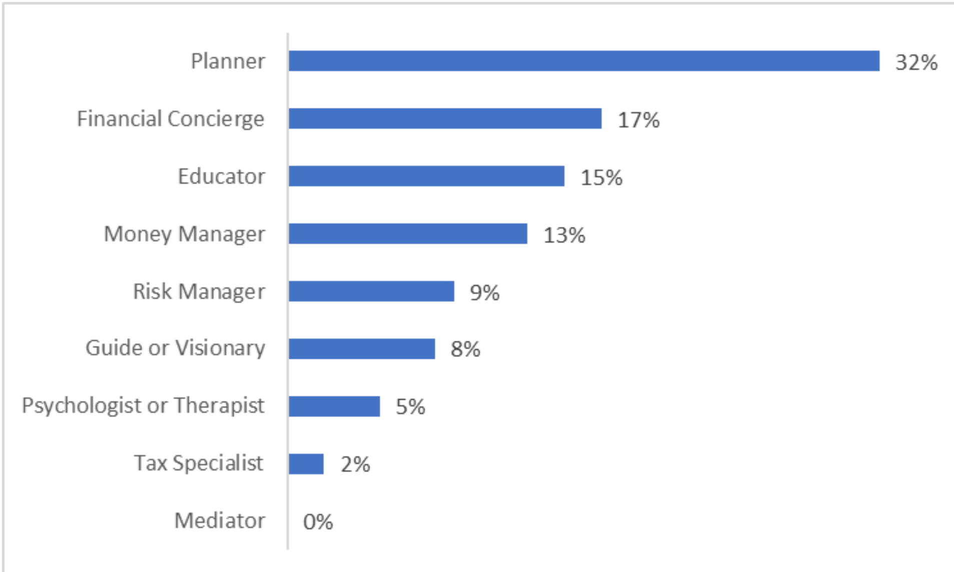
There are sharp differences across channels in how advisors position their support. Full Service channel advisors are far more likely to describe themselves as investment advisors and much less likely to position their role as financial planning. Independent broker dealer advisors orient more to the role of financial planner but are less likely to take on the role of holistic wealth manager. RIAs are split across financial planner, investment advisor, and holistic wealth manager reflecting the diversity of approaches employed within this channel.

Exhibit 2: How Advisors Position Their Support to Clients and Prospects by Channel



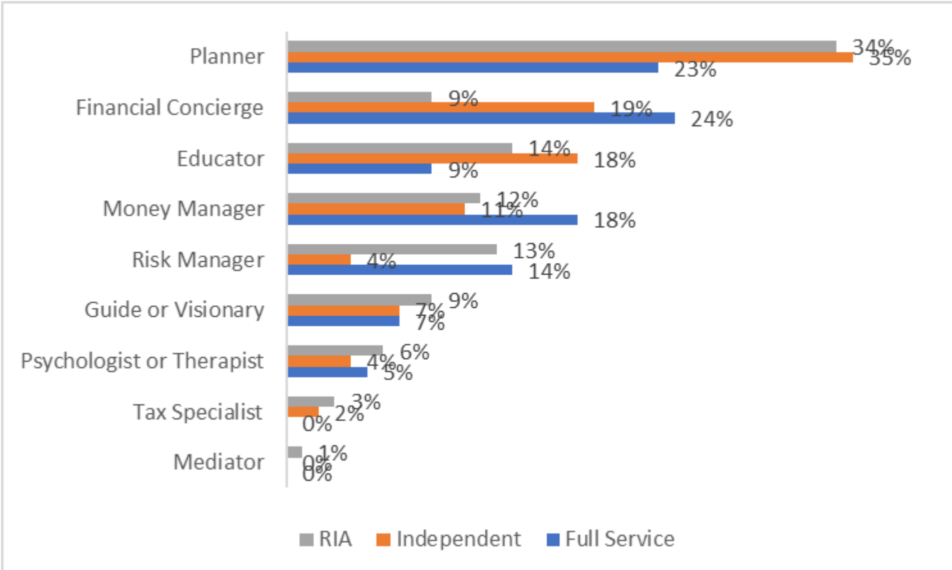
Advisors are also divided in the role they anticipate will have the greatest impact on clients going forward. Roughly 1 in 3 advisors, or 32%, consider their role as a planner to be most impactful on clients going forward. Approximately 1 in 6 advisors, or 17%, view the role of financial concierge as most impactful while 1 in 7 advisors, or 15%, believe their role as educator will have the most significant impact. Notably, only 1 in 8 advisors, or 13%, consider their role as money manager to have the most impact on clients in the future.

Exhibit 3: Expected Role with Greatest Impact Going Forward



There is no consensus across channels as to the role of the advisor most likely to impact clients going forward. Independent broker dealer advisors and RIAs orient more to the role of financial planner as being most impactful, comprising roughly 1 in 3 advisors within each channel respectively. Full Service channel advisors are highly fragmented as to the most impactful role, with financial concierge, planner, money manager, or risk manager mentioned most often although with no more than 1 in 4 advisors defining any of these functions. Beyond planner, Independent broker dealer advisors consider financial concierge or educator as the most impactful roles while RIAs orient to educator, risk manager, and money manager.

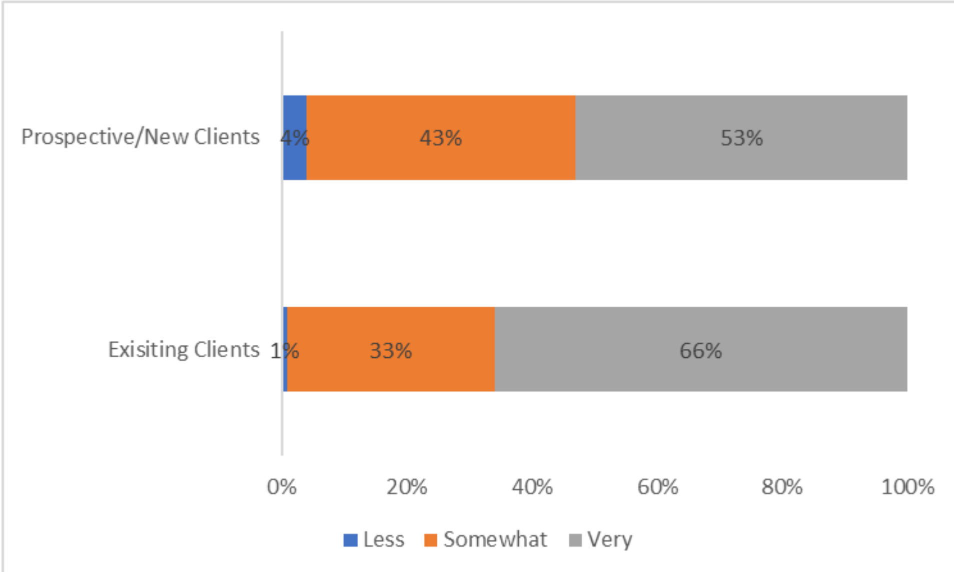
Exhibit 4: Expected Role with Greatest Impact Going Forward by Channel



B. How well prepared are advisors to serve existing and prospective clients?

Most advisors are confident in their abilities and consider themselves very well prepared to meet the needs of current and prospective clients. Overall, advisors are slightly more confident in their preparedness to support existing clients (66% very well prepared) versus prospective clients (53% very well prepared). Few advisors consider themselves less prepared to meet the needs of current or future clients.

Exhibit 5: Advisors Preparedness to Serve Existing and Prospective Clients



Advisors preparedness to serve current and prospective clients is similar across channels. Roughly 2 in 3 advisors in each channel consider themselves very well prepared to meet the needs of current relationships and more than 1 in 2 advisors believe they are very well situated to work with prospective clients.

Exhibit 6: Advisors Preparedness to Serve Existing Clients by Channel

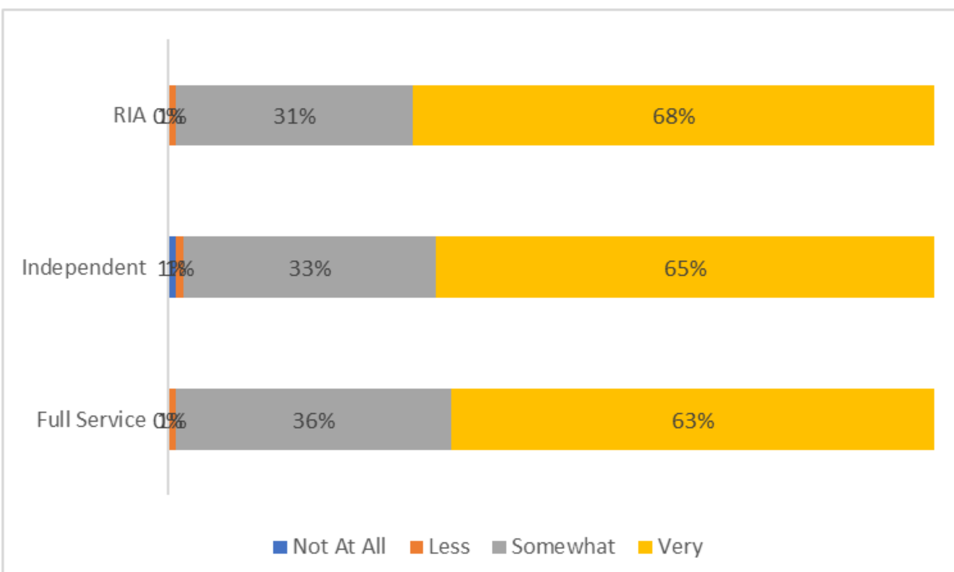
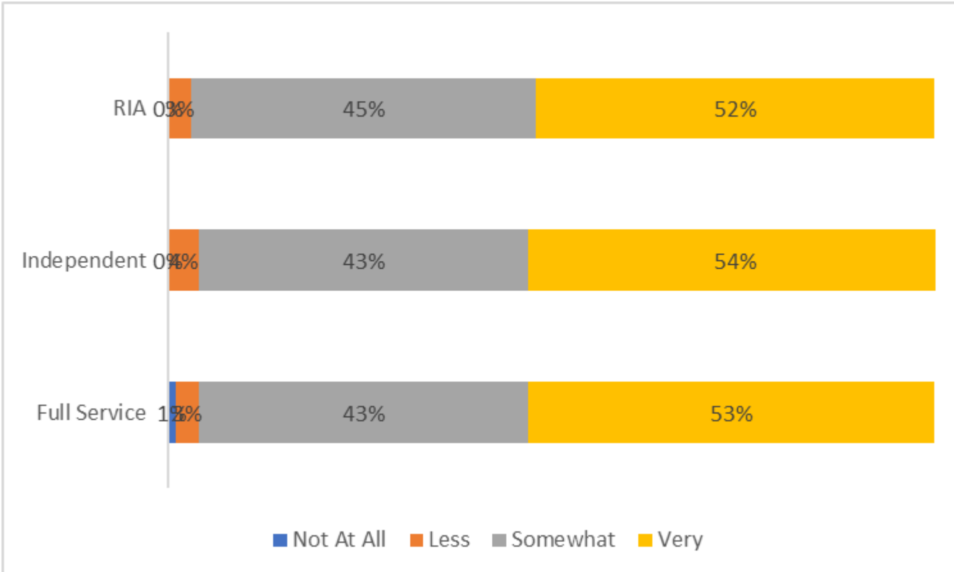


Exhibit 7: Advisors Preparedness to Serve Prospective Clients by Channel



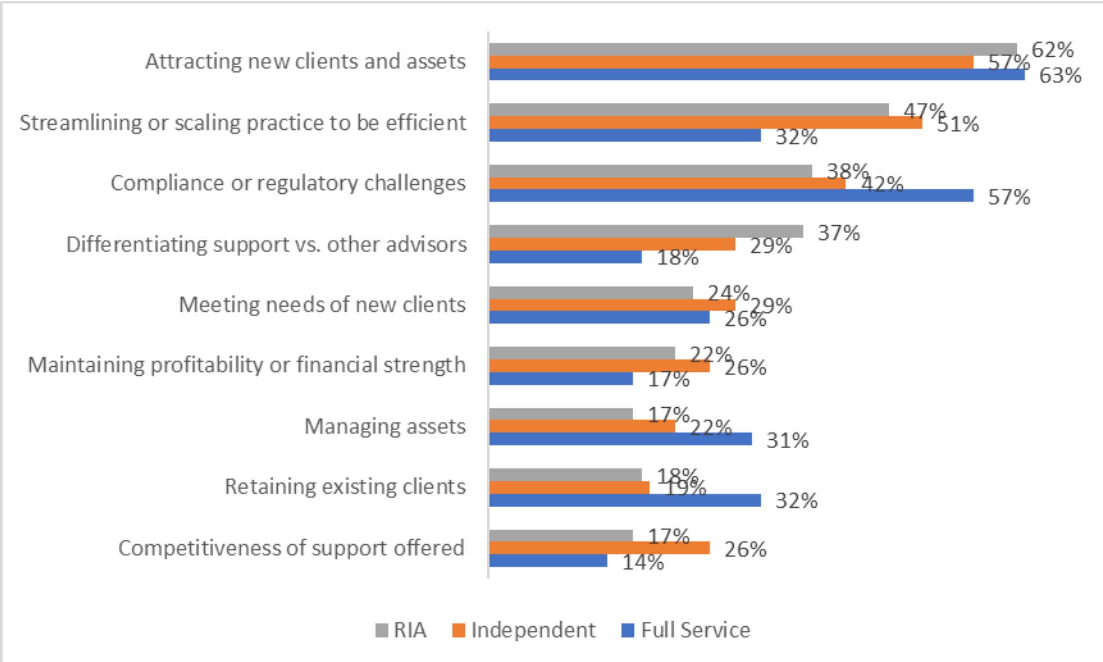
C. What do advisors perceive as the key challenges and risks to meeting client needs going forward?

There are a variety of key challenges advisors identify for themselves and their practices going forward. Foremost among the challenges are attracting new clients and assets (60%), scaling or streamlining their practice to operate efficiently (45%) and navigating compliance and regulatory restrictions (44%). Of less relative concern are challenges such as managing assets, retaining existing clients, or maintaining the competitiveness of support they offer.

Exhibit 8: Expected Key Challenges for Advisors Going Forward

There are some notable differences across channels in the major challenges advisors anticipate grappling with going forward. Attracting new clients and assets is the main challenge for advisors in each channel. Full Service channel advisors are far more likely to anticipate compliance or regulatory issues, retaining existing clients, or managing assets as ongoing challenges and far less likely to be concerned with streamlining or scaling their practice or with differentiating their practice versus other advisors. Independent broker dealer advisors and RIAs have concern with managing an efficient practice or scaling delivery. Differentiating support is also an issue for RIAs. The different challenges across channels likely relate to the capabilities available through certain channels and the previously discussed variation in how advisors describe their role in engaging with clients.

Exhibit 9: Expected Key Challenges for Advisors Going Forward by Channel

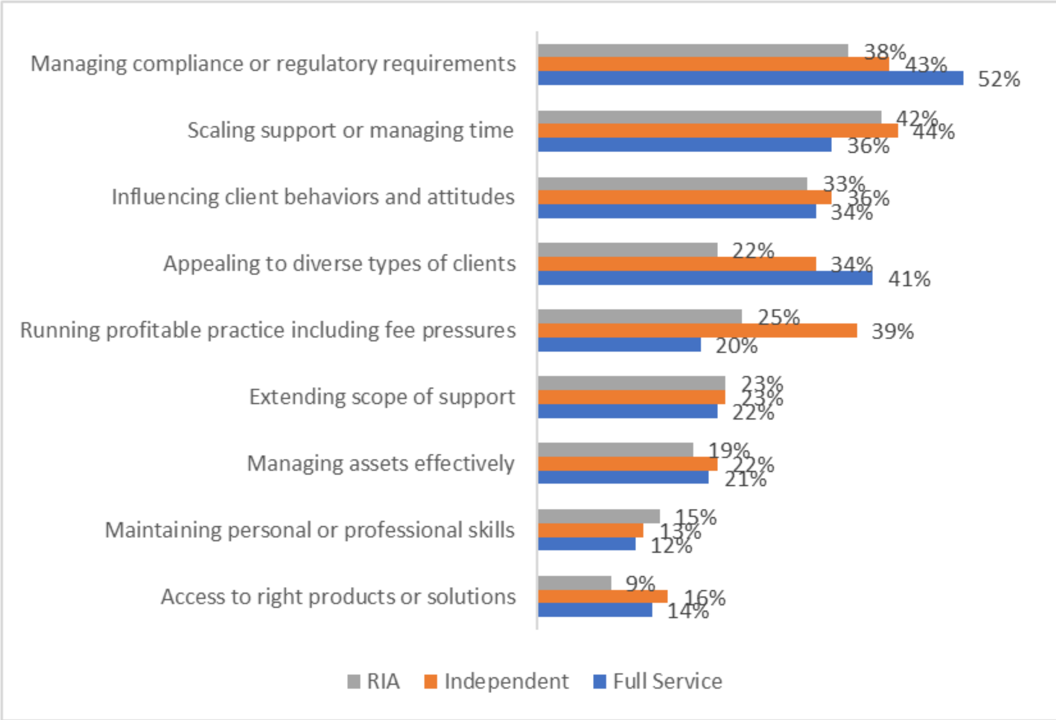


There are several risks advisors note which could undermine their ability to meet the needs of clients going forward. The most frequently mentioned risks are the ability to manage changing compliance or regulatory requirements and managing time or adopting strategies to scale client support and service. Other risks to at least 1 in 3 advisors include influencing client behaviors and attitudes, being able to appeal to more diverse types of new clients, and running a profitable practice or withstanding fee pressures. Advisors assign lower risk to having access to the right products or solutions to meet client needs or maintaining personal or professional skills.

Exhibit 10: Expected Key Risks for Advisors Impacting Ability to Meet Client Needs

There is some variation across channels in the risks advisors perceive that could impact their ability to meet client needs going forward. Full Service channel advisors are more likely to consider compliance or regulatory issues as a major risk to their ability to serve clients and are also more concerned with how to appeal to more diverse types of clients beyond those served at present. Independent channel advisors have more relative concern with running a profitable practice including withstanding fee pressures. RIAs have less worry related to appealing to diverse types of clients and perceive less risk in accessing the right products or solutions.

Exhibit 11: Expected Key Risks for Advisors Impacting Ability to Meet Client Needs by Channel



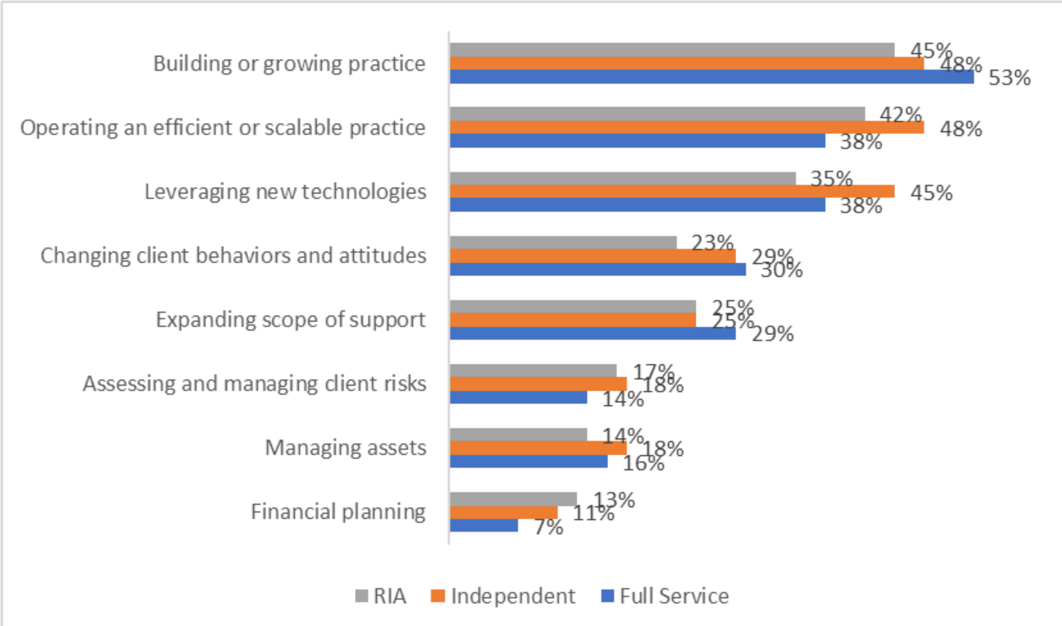
D. What aspects of their practice do advisors view as most crucial for additional support going forward?

Advisors identify several aspects of support for additional assistance going forward. Many of these desires for added support align with key challenges and risks. The desired support includes help with growing or building a practice, assistance with operating an efficient practice or scaling support, and leveraging technologies. Of less interest are support for basic functions such as financial planning, managing portfolios, or assessing and managing client risks.

Exhibit 12: Most Critical Aspects for Advisors to Receive Additional Support Going Forward

The need for additional support going forward is similar across channels, although Independent broker dealer advisors are more pronounced in their need for support in some areas. This includes help with operating an efficient or scalable practice and being able to leverage innovative technologies.

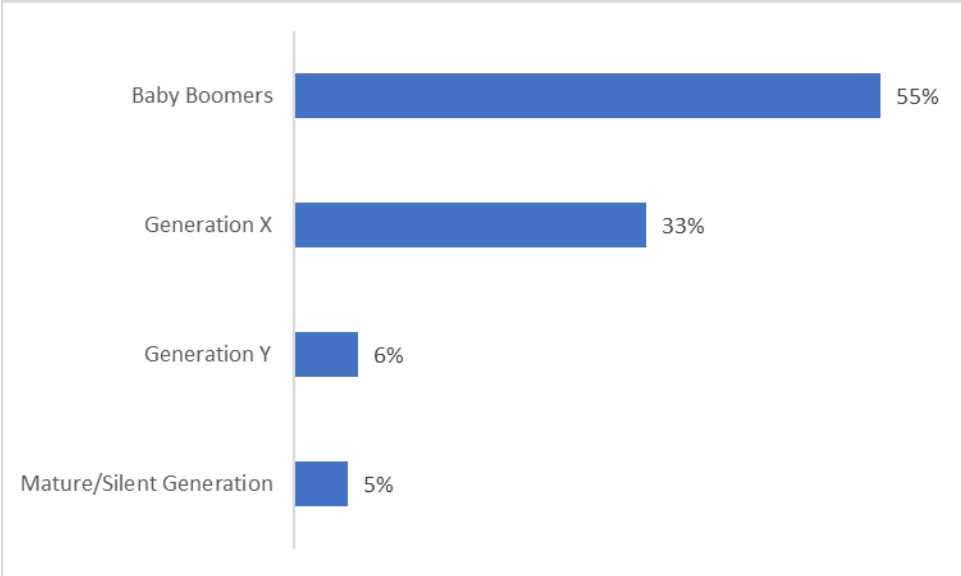
Exhibit 13: Most Critical Aspects for Advisors to Receive Additional Support Going Forward by Channel



E. Who do advisors expect will be their primary client segment served going forward?

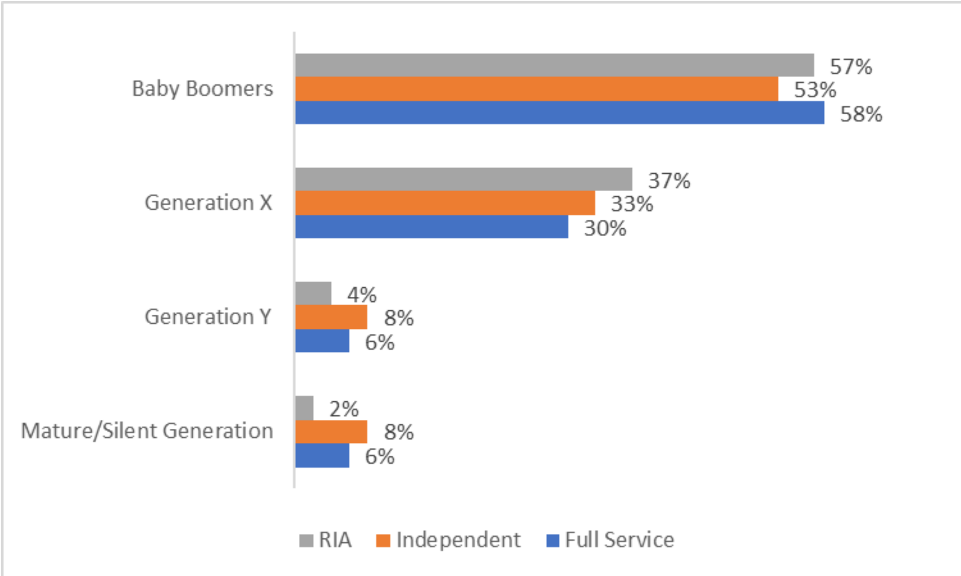
More than 1 in 2 advisors, or 55%, anticipate Baby Boomers will be the primary client segment they support 5 years from now. Roughly 1 in 3 advisors, or 33%, expect their primary client in 5 years will be members of Generation X, or those born between 1965 and 1980. Less than 1 in 10 advisors respectively expect the primary client to be the Mature/Silent Generation or Generation Y.

Exhibit 14: Expected Primary Client Segment Served Within 5 Years



There is minimal difference across channels in the primary client segment that advisors expect to serve five years from now. Baby Boomers and Generation X clients are the groups anticipated to be the primary audience served regardless of channel.

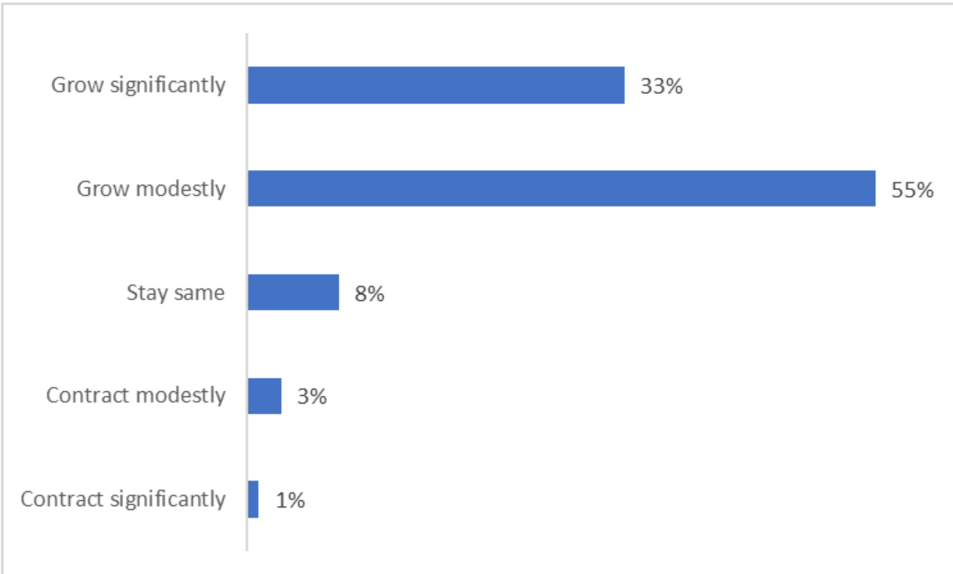
Exhibit 15: Expected Primary Client Segment Served Within 5 Years by Channel



F. How do advisors expect their practice will change going forward?

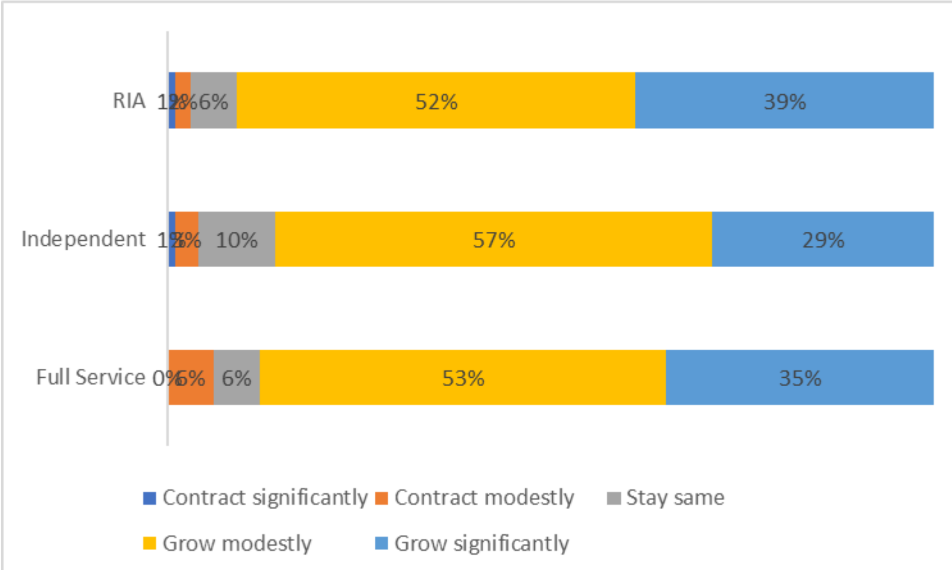
Virtually all advisors are optimistic about the future as reflected in their anticipation of ongoing growth in the size of their practice. Nearly 9 in 10 advisors, or 88%, expect at least modest growth in the size of their practice going forward including 1 in 3 advisors, or 33%, that expect significant growth.

Exhibit 16: Expected Growth in the Size of Practice Going Forward



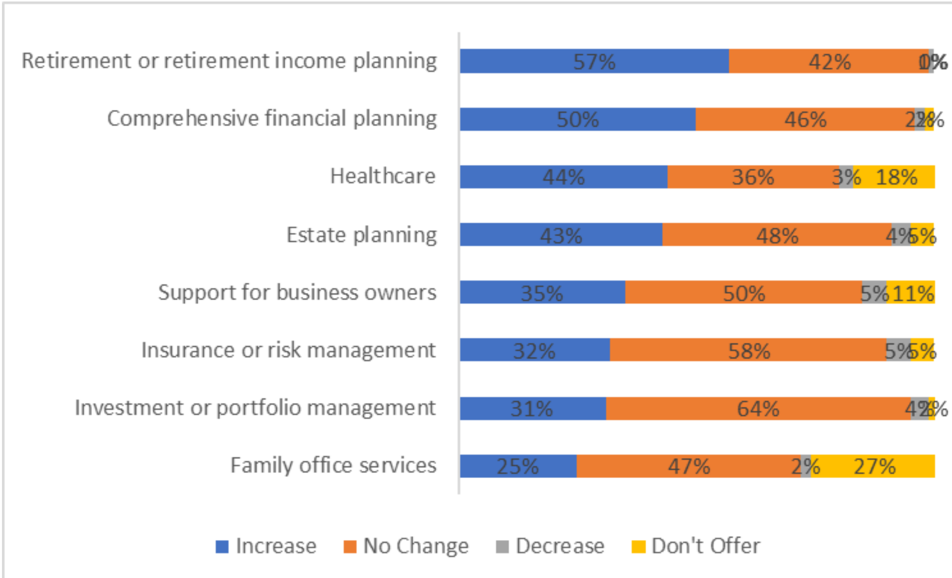
Optimism about the future as reflected in their anticipation of ongoing growth in the size of their practice is similar across all advisor channels. Independent broker dealer advisors are slightly less likely to expect significant growth while RIAs are most likely.

Exhibit 17: Expected Growth in the Size of Practice Going Forward by Channel



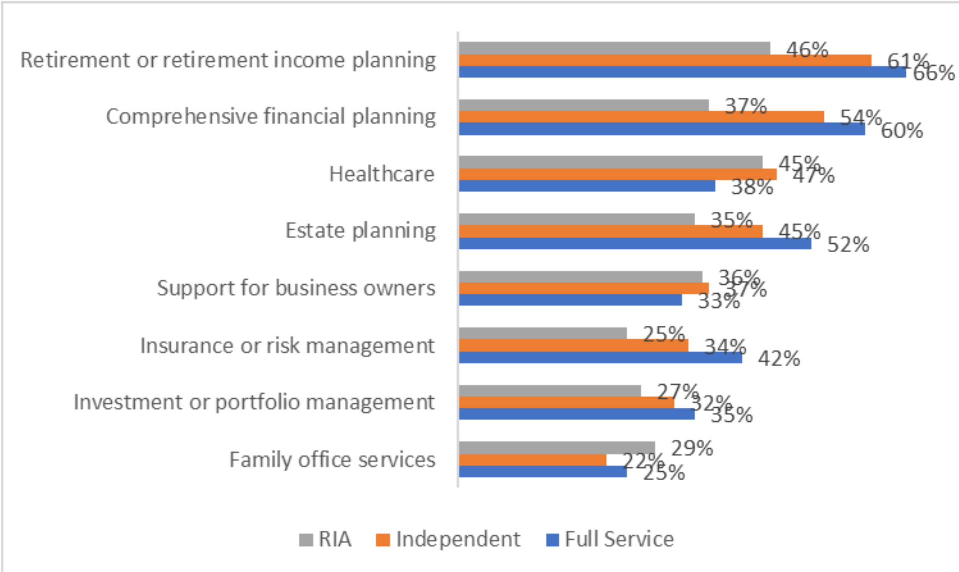
Many advisors expect their focus on various types of client support will increase in the future. Among the aspects of support expected to have the most significant increase are retirement or retirement income planning, comprehensive financial planning, assistance with healthcare including Medicare, and estate planning. On a relative basis, support for family office services, investment management, or insurance are expected to increase more modestly.

Exhibit 18: Expected Change in Aspects of Advisor Support



There are differences across channels in the expected growth of some aspects of support delivered by advisors. Full Service and Independent broker dealer channel advisors are more likely to anticipate increased delivery of support related to retirement or retirement income planning, comprehensive financial planning, estate planning, and insurance or risk management but less so regarding healthcare. RIAs are less likely to anticipate increased emphasis on support in several aspects such as retirement planning, comprehensive financial planning, estate planning, and insurance or risk management. This may reflect RIAs already providing significant emphasis on some of these functions, especially planning oriented activities.

Exhibit 19: Expected Increase in Aspects of Advisor Support by Channel



Most advisors expect some modest change in their role going forward but few expect the change will be significant. More than 1 in 2 advisors, or 54%, expect their role will be modestly different and 1 in 4 advisors, or 26%, expect their role will be a little different. Roughly 1 in 10 advisors expect a significant change in their role and similar percentage expect no change

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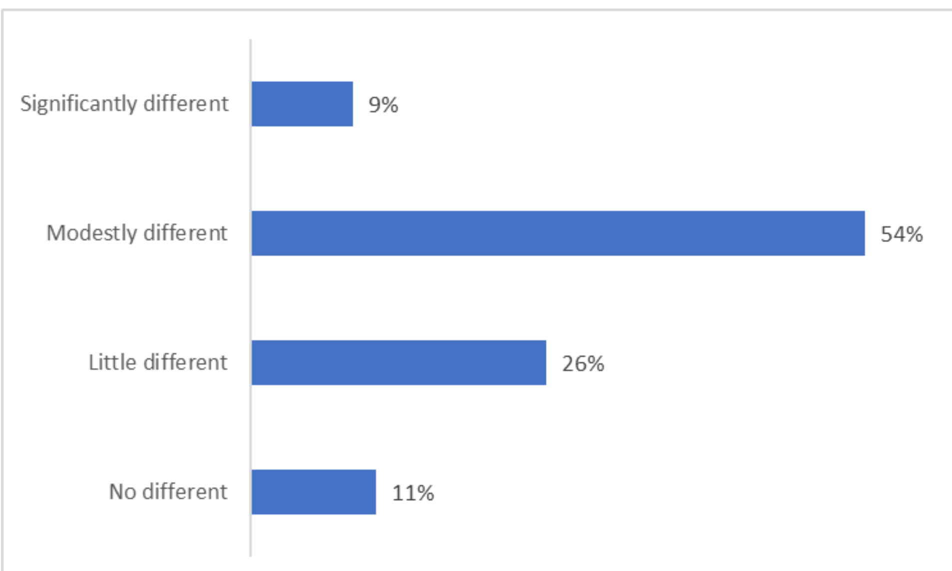
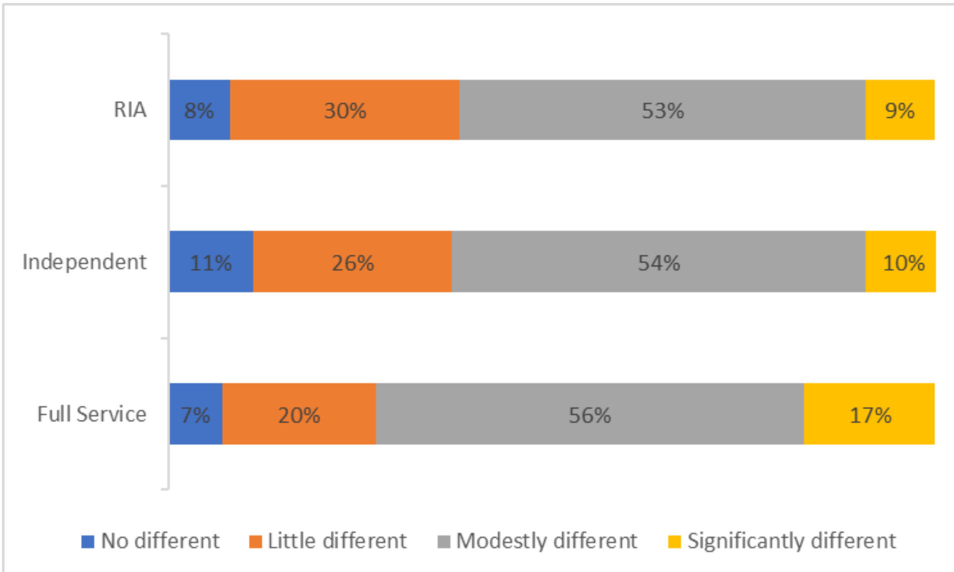
Exhibit 20: Expected Change in Advisors Role



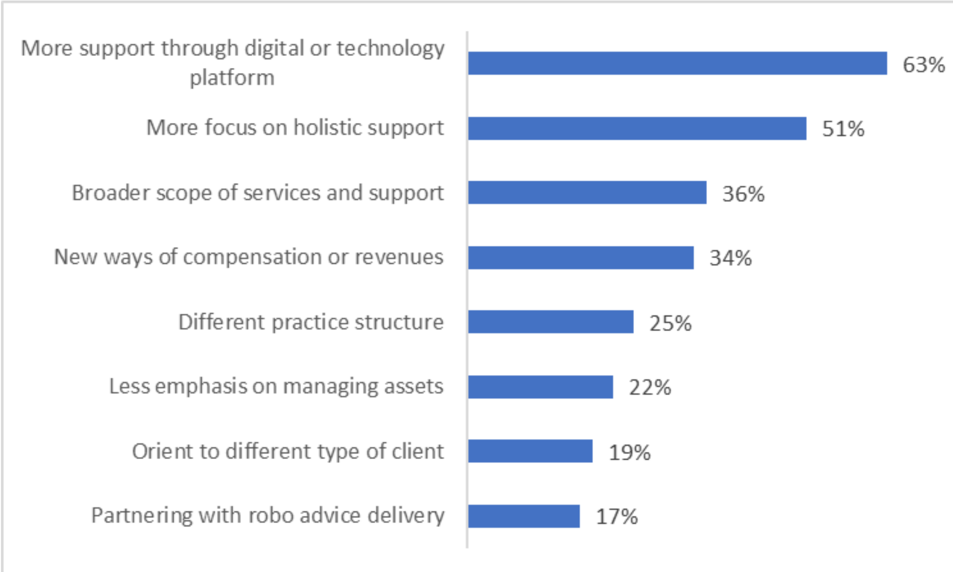
Full Service channel advisors are more likely than other practitioners to expect a significant change in their role going forward. Across channels, most advisors expect their role going forward to be moderately different.

Exhibit 21: Expected Change in Advisors Role by Channel



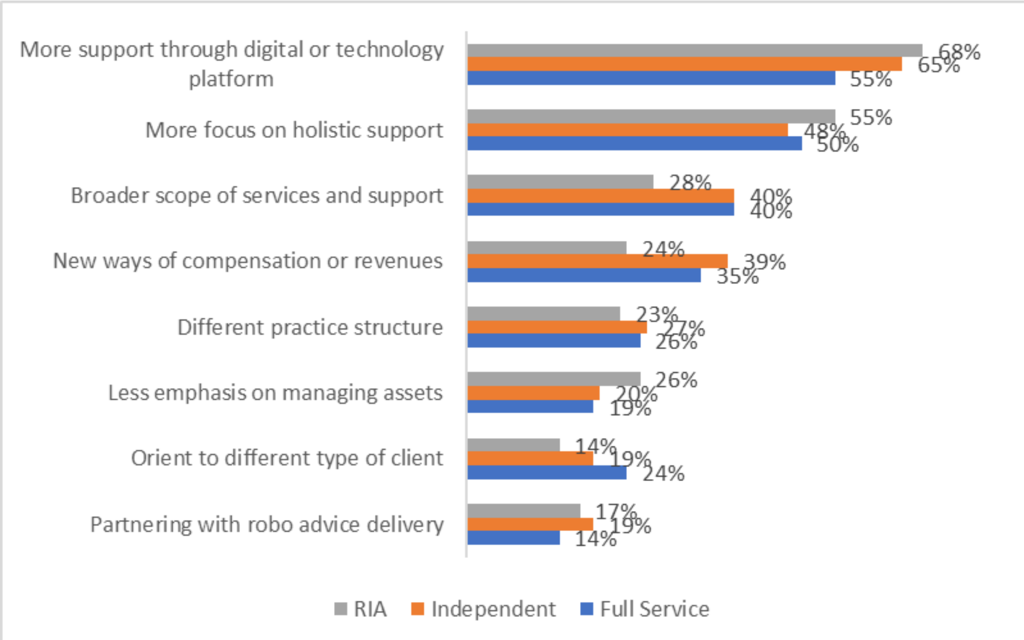
Nearly 2 in 3 advisors, or 63%, expect the most significant change in their role going forward to be increased support delivered to clients through digital or technology platforms. An additional 1 in 2 advisors, or 51%, anticipate greater focus on holistic planning support. Roughly 1 in 3 advisors expect to provide a broader scope of services and support to clients and a similar portion expect to generate revenues or compensation in different ways than today.

Exhibit 22: How Role of Advisors is Expected to Change



The major changes advisors expect in their role are similar across channels, with more delivery of support using technology platforms and more focus on holistic support. RIAs are less likely to expect to broaden the scope of support they offer or to anticipate adopting new ways to be compensated or generate revenues. Partnering with a robo-advice platform is of lower relataive priority across channels.

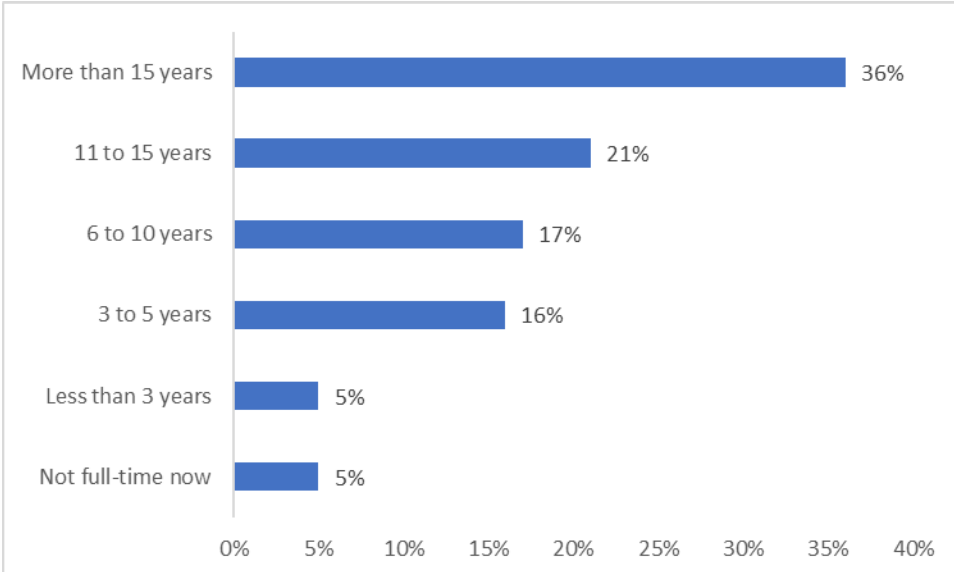
Exhibit 23: How Role of Advisors is Expected to Change by Channel



G. When do advisors expect to no longer be active full-time practitioners?

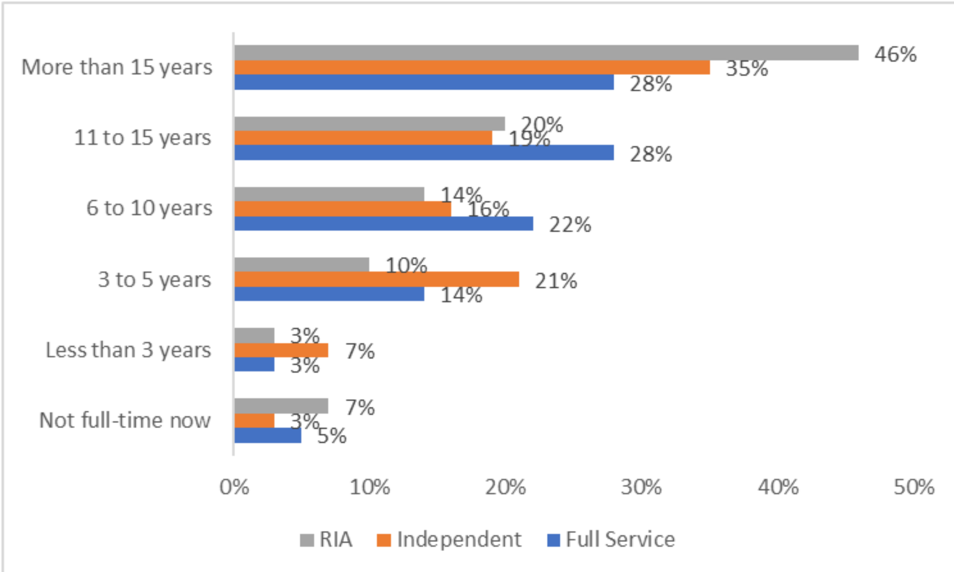
A considerable portion of advisors anticipate no longer acting as a full-time advisor within 10 years. Only 57% of current advisors surveyed expect to still be active 10 years from now. Among those anticipating no longer functioning as a full-time advisor within 10 years, many expect to exit their role within the next 5 years or sooner. As has been widely reported, most advisors are aged 50 or older and clearly many of the more mature advisors expect to leave the profession full-time in the foreseeable future.

Exhibit 24: Advisors Expectation of No Longer Being a Full-time Advisor



There are some differences across channels in expectations of no longer being a full-time advisor. Independent broker dealer advisors are more likely to expect to leave full-time support within the next 5 years while Full Service advisors have greater anticipation of leaving full-time status within 6 to 10 years. RIAs are less likely to expect to leave their full-time role as an advisor in the next 10 years with nearly 1 in 2 RIAs projecting out more than 15 years in the future until they no longer are a full-time advisor.

Exhibit 25: Advisors Expectation of No Longer Being a Full-time Advisor by Channel



H. In their own words, what additional feedback do advisors have related to their role changing going forward?

Advisors were asked to detail in their own words any additional feedback they have regarding how they perceive their role to be changing. A wide variety of perspectives were provided by advisors including:

- Shifting to more holistic and planning oriented approaches and away from investment management
- Clarifying their role as coach, planner, guide, or helping clients with non-investment needs rather than money management
- Differentiating practice versus other advisors
- Demonstrating value to clients and responding to fee pressures
- Expanding scope of support to non-investment topics
- Navigating changing compliance and regulatory requirements, including fiduciary standards
- Moving focus to decumulation from accumulation as clients age
- Serving new client audiences such as millennials

- Leveraging technology and becoming more technology sophisticated in how to connect with clients in alternative ways
- Planning for succession or other internal practice management changes
- Adapting to changing client needs, especially education, technology, and hand holding
- Staying flexible in an environment characterized by continual shifts in regulation, tax laws, and other external factors

Specific comments from advisors broken out by channel are provided below.

Full Service Channel Advisors

- Moving from investment management to planning
- Succession plan execution
- Managing client expectations and their spending patterns
- I see myself more as a counselor/financial advisor for multi-generations and I will try and engage beneficiaries so that the money doesn't leave when mom or dad passes away
- Technology and how I interact with the next generation of wealth
- Managing fee sensitive clients and explaining the value of having an advisor for a portfolio
- Expanded advisor services, more loan and banking services, less investment option flexibility, reduced fee structure
- Need to give attention to succession planning
- Regulatory changes and fee trimming
- As clients age, pivot focus even more so to retirement income strategies
- Being more than simply a money manager
- Needs to be very holistic to add value
- Scaling advice
- We do not sell product, we help people reach their goals with sound financial guidance
- Although I will continue to help clients plan and meet their long term financial goals, I will incorporate a more holistic approach by addressing client anxiety more head on as well as focus on gender-lens investing
- We will get more involved with fewer, but larger clients
- From asset manager to life coach
- Retention of assets as the assets move down generation

- The advisor role will shift from asset manager to planner and guide with more emphasis placed on decumulation
- Changing my approach to encompass societal factors that influence the lives of a whole new generation of clients
- Obtaining enough new household relationships
- Structuring time to become more efficient and compliant
- Increased interference from firm management
- Navigating through the compliance/legal mine field
- More planning
- The transactional business will be replaced with platforms
- Fee compression
- Compliance/regulation
- More concierge service, fighting with Vanguard/Fidelity, dealing with younger clients
- Dealing with do-it-yourselfers
- More dictated to me instead of my own ability to manage money
- I don't have a good vision for how different the role will be, but I anticipate that there will be more salaried advisors for smaller asset base clients…however, I believe those of us with longevity in the industry and established practices will see less change
- More holistic planning toward goal achievement
- Addressing client retirement assets for comfortable retirement
- We will have to compete more with robo-advisors and to explain more how we earn the fees we charge
- Maintaining ability to provide customized advice
- Working with younger people, 35-45
- Financial advice - not sales
- Competing with automated programs with an uneducated populace
- With changing markets being able to meet the expectations and needs of clients as they age
- Showing the value of advice in a fee and cost sensitive environment
- More managed, less transactional
- Justifying fees
- Less individual managed accounts, more private asset managers and mutual funds (managed at flat fee)
- Unfortunately, compliance just gets uglier and way too much
- Less about investments more about relationship and complete planning
- Remaining competitive in cost vs value with clients still need to understand how to create income from their investment
- Medical cost and how to deal with them for clients
- Meeting clients in person more often i.e. get them to participate more

- I believe we will all be salary
- Compliance
- Implementing technology to gain practice management efficiencies while providing higher level of customer service and portfolio management
- Hand holding
- Become more versed in a wider range of issues
- I will need to be significantly more involved in using social media for communicating with my newer and or younger clients
- Regulation and compliance
- Since I am 66 years old and most of my clients are my age or older, I see my role as an advisor becoming more and more oriented towards taking care of my clients emotionally as well as financially
- More 401(k) rollovers and the rise of the robo-advisor
- Compensation will continue to be reduced
- Technology foremost-total account management-less transactional-more encompassing-
- more involved in all aspects of clients lives
- Information gathering
- The brokerage based advisor needs to focus on comprehensive wealth management to take advantage of our competitive strengths and command our fees, my practice has been focused this way for 10+ years
- Management will impact the financial advisor community the most, they are risk averse, and commission averse, this will change how FAs are compensated the recruitment of FAs and if they will be interested in doing this for less money, and less flexibility going forward
- More of a fiduciary
- Compliance
- Staying competitive and helping clients stay the course
- Connecting most facets of clients' financial lives
- Working within whatever regulations will be coming
- Less asset management, more financial planning
- More holistic financial counseling while investment management becomes commoditized, more info on Social Security and Medicare
- I see the role becoming less about asset accumulation and more about planning for the what you are accumulating assets for
- Being more diverse to my clients
- Larger firms, especially those affiliated with banks, don't want accounts below $250,000 - and the bread and butter size account in Alabama is $150,000 which leaves me out of deferred comp and having to take a pay cut to retain (perceived) small accounts

- People have less interest in the stock market and do not want to be contacted regularly
- Adapting to new fiduciary rules

Independent Broker Dealer Channel Advisors

- Moving clients and my practice from the accumulation phase to the lifetime income phase
- Increase in client base
- Continuing to find new ways to get in front of new money
- Our industry is so messed up, the custodians are constantly bombarding our clients with advertisements
- Regulation
- Ever increasing need for holistic/ "one-stop-shop" financial advising, including tax support, estate support, etc.
- The client will be more educated but will need fine tuning of plans and planning
- The most significant change to my role will be that I will be retiring!
- Industry moving to fee based but I do not intend to follow that trend as I do not think most clients will be well served by that
- Increased role as a teacher, explainer of financial information as the average client will have access to more information but for the most part will not understand the information because of a lack of education, the dictionary of the client won't match the financial dictionary and there will be a large disconnect in terminology
- Ever changing regulations and compliance
- Competition from low cost trading platforms
- Moving to retirement in about 3-5 years
- Integrating financial technology to be more efficient
- Incorporating technology into client interactions
- My age and desire to work less
- The new client type will some financial knowledge but will need the more exact knowledge that will only come from advisors
- Robo-advising
- Addressing client fears and assisting them in making appropriate decisions, as this requires me to train advisors to replicate the service I deliver to my clients
- Investments are becoming a commodity and we need to more clearly demonstrate the extra value we provide and it's worth
- We keep on trying to keep the relationships on a very personal individual level
- More service
- Evolving as a retirement income planner managing assets for use over the length of retirement

- Streamlining asset management to focus on customized planning
- More retirement income focused
- Dealing with compliance
- Compliance pressures, fee compressions
- Manage client longevity with long term health care needs (medical and facility along with not outliving their assets)
- Providing all-around support for all financial planning needs
- I am going to have to farm out management of assets because it is becoming impossible to do that along with all the other jobs that are required of us
- Maintaining client trust as I attempt to incorporate younger advisors to eventually buy my practice
- Due to my age, attracting clients
- I expect to have to do more educating of clients so that they won't act emotionally to changing market conditions
- Evolving from financial planner to problem solver
- Staying in compliance and still giving clients good service
- Delivering value to the client
- Expand to more fee for service and offering more comprehensive value
- More focus on post retirement issues such as Social Security and Medicare planning
- Navigating the next market implosion
- Commoditization of advice, regulatory and compliance burdens increasing overhead
- More reliance on technology
- More and more hand holding and reassurance
- Embrace the change, be quick to implement and remain focused on core competencies
- Staying current with changing tax structure
- Forging a path as a thought-leader local community
- Planning for succession
- My role will not change I am a financial advisor which 20's to 70's need, I just need the government off my ass
- Preparing for succession
- Managing expectations
- Technology and compliance changes in the industry
- Client relations
- Moving away from AUM as my source of revenue and more to a fee-only model
- I expect to sell my book and retire within the next 5 years as I'm 74 now, I don't see myself still doing this at 80
- Increasing value add to client considering industry fee pressure
- Position our professional services to create financial and life solutions that are deliverable and digestible to our clients and their families and associates

- As clients/investors become more educated, demand for financial planning through the different stages of life will increase significantly
- More education and hand holding, being the quarterback for all financial issues vs. being an asset manager they can get that from Vanguard
- Attracting and maintaining younger clients
- Fee compression and clients already knowing what they want vs products/strategies being suggested
- Regulatory pressure on fees will continue to grow yet the need for advisors will continue to rise
- Greater need to mitigate the risks of taxes and market volatility
- Getting ready for my retirement
- I think the biggest role will be in long term financial planning and managing emotions and less on investment-driven advice
- Developing the beneficiaries of my aging clients as prospects is a unique challenge
- Being the navigator for entrepreneurs and high net worth people to reach their philanthropic potential
- Becoming a mentor/leader for newer advisors
- Becoming more holistic and delivering more services
- Incorporating new dynamics (tax law changes, income planning, etc.) into my practice while maintaining scale and efficiency
- Growing a client centered practice with today's expectations (in consideration of robo advice, fee compression, compliance, etc.) in a profitable way to encourage younger advisors to want to become planners/advisors and to be profitable all at the same time
- Technology changes
- Providing a complete concierge of financial services
- Managing changing client preferences and needs, as well as scaling services to gain efficiencies
- My practice is changing from brokerage accounts to advisory accounts
- I will be retiring
- Lower balance clients being ignored
- We will be a trusted filter for all the available products and services
- Becoming more comfortable in a fee-based environment
- Adjusting to new regulatory environment
- I see more input helping clients cope with the challenges they are facing in retirement/health care/downsizing /helping children & grandchildren, etc.
- Ever changing tax landscape and regulations
- More hands on marketing
- Staying relevant in an increasing technology based environment
- Technology use in meetings

- Competition with other advisors and differentiation of my practice to attract specific clientele
- Managing clients' expectations using behavioral finance, regulatory interference in working with clients
- More personal contact/connection with clients, more planning
- I believe that most advisors will have to deal with the so called "age of technology" especially when looking to attract younger clients being able to run different platforms for different clients is going to be needed
- Keeping on top of technology
- Transition even more from "investment person" to "life planning person"
- Changes to fee disclosures
- Managing income distribution strategies for retired clients
- Covering the basic investment planning for more clients on the low end of the service spectrum while offering more individualized services to more clients on the high end
- In the increasingly changing environment (including technology and regulatory) to continue to provide relevant service to clients
- Staying compliant without it impacting the way we serve clients
- It is important to stay current and relative particularly to the younger generations but the older ones still need so much help
- Need to adapt more to the technology generation, less face to face office meetings and more online web based meetings
- More of my clients are starting to take income at a time when the market may be correcting
- the ability to relate and attract the younger generation as clients or estate clients
- Serving the younger generation, and wealth transfer to that generation
- Less office presence; advice more integral to ordinary life
- I think that we will have to adapt to a new type of client who wants to meet through the internet, and do web based meetings
- Robo advice
- Keeping up with growing technology
- Dealing with Washington
- Standardized fiduciary across all planning
- This fiduciary standard needs to be finally set, compliance needs to change to engage millennials with policies on social media, texting, and apps needs to change
- Less focus on investments and more focus on planning, coaching and consistent support that leads to implementation of the plan
- Reduction of fees, greater distributions, increase in "robo" competition
- More planning for the next generation, health care issues, Medicaid planning, retirement planning

- Adapting to fee reductions
- More comprehensive
- Support aging clients
- More fiduciary based work as well as online marketing and client usage
- Need to become more quickly adjusting to new technology and use interactively with clients
- Applying technology to client's needs
- Keeping abreast of the changing and volatile environment as it relates to the regulatory aspects fees how to structure
- More technology required for more client satisfaction
- I feel keeping up with technology and how to connect with clients and prospects through technology will be huge
- Managing client expectations when a downturn happens as I feel everyone has become complacent and does not understand that investing means some risk… I also think people look too much at returns vs. all the other things I help them with
- Generation shift
- Reacting to the rapidly changing and usually more confusing regulatory environment, advisors will have to provide more client education yet will also need to exercise more caution in what and how they communicate with their clients
- Pressure on margins
- I see myself managing client relationships more and the assets less
- Transitioning to decumulation strategies
- Technology will require that we serve clients when and where they want to be served, which is most likely via their smart phones and tablets, responding effectively to that change in communication methods will be the difference between advisors who thrive and those who fail
- More clients retiring, increase client fear of economy, changes in Social Security and tax laws
- Clients transitioning from adding money to their portfolio to planning on taking money for retirement
- Slowing down toward retirement
- Becoming a CFP
- Life planning
- Less direct focus on managing assets with more emphasis on consulting and planning to help clients with various life challenges
- Changing from an advisor platform to an educator platform to assist employees/clients in understanding the importance of saving for retirement
- Helping clients with behavioral aspects of their finances
- Working as a team of advisors to support a client rather than one advisor per client

- Fighting off bad advice from outside forces
- Need to educate the next generation of wealth as to risk/reward opportunities
- Regulatory is the biggest change along with more service and change of how I am paid
- I see my role moving towards being a financial wellness coach/advisor as I see the needs of clients being and increasingly becoming a holistic approach where all financial services (planning, tax, estate, etc.) are provided in-house
- Managing growth in practice and managing all the service work
- More planning work, and less managing of the assets as that will be done by robo advisors and management teams
- Fintech will automate most functions and enhance growth

RIAs

- More difficulty in getting clients and prospects to focus on the basics: the markets are the same as they always were and there is no new panacea to beat it
- More of a financial planner as opposed to a money manager
- I don't see major changes ahead
- Less face to face meetings and more via web, more texts than email, make sure I am tech savvy
- Planning to compete vs robo-advisors
- Continuing to grow into a behavioral coach and less about money managing
- Differentiation
- Changing compensation and fiduciary rules
- Keeping up with new technology is a challenge for an "Old School" guy like me
- Communicating what a financial advisor/planner does vs. what the public thinks I do
- Succession plan in place now, out the door in 5 years
- Competing with other advisors who are great salespeople but aren't very good ad advising
- Less focus on money management (though it is a necessary competence) and each practice must determine its "value add" to the client--and actively promote that value add
- Retiring versus continuing to work until enough income in retirement is ensured
- I think that my role will involve more long-term planning and integrating my clients' financial lives with their personal lives
- Adapting to changing technologies and employing them efficiently
- Increased focus on financial planning and retirement solutions
- We will be hired to help with all aspects of a client’s wealth and will have access to all accounts/debts and assets

- Dealing with clients whose income/assets is being used by their children as well as themselves
- Technology
- Working less semi-retirement
- Adaption to more assets and more clients to manage and serve, use of technology extremely important in streamlining practice
- I don't see any significant changes you see to my role as an advisor going forward
- Keeping up with technology and attracting new clients with money
- Demonstrate I am an effective fiduciary
- The ability to interact and communicate with my clients and prospects in the way they want to be interacted and communicated with
- Working with and serving Millennials
- Adjusting to the wants, needs and desires of generations I do not fully understand
- Greater focus on detailed financial planning for existing clients over "skeleton" plans for new clients
- I find it difficult to fully know what those changes will be as changes seem to come quickly and you need to be nimble to adjust accordingly
- Determining the services future clients want that may not be in demand currently or infrequently offered
- Outsourcing some portfolio management and focusing more on financial planning/advice
- More financial planning done
- Integrating new technology
- Business ownership balancing with managing book
- Ability to utilize technology and steer clear of risk associated with technology, especially in the area of client privacy and safety
- Since more and more of our clients are retiring and I still have 20+ years left of my intended career, I have become much more of a retirement coach and cheerleader than a planner
- It will be more about helping the client see the whole picture and not just about investment advice
- Becoming more behaviorally focused regarding client's view of their finances, less focus on investment returns
- Must be able to handle any financial issues for clients with a broader scope of financial expertise
- Holistic approach to planning
- Move into management role
- Need to find more solutions for the evolving client - mobile, technology savvy, fee sensitive, I will have to provide more value to maintain relationships

- Support of more diverse client base and types of support
- More education based
- More efficient portfolio management
- I see the role changing to more of a counselor/therapist role rather than a pure advisor
- My role will continue to expand in helping clients going thru life transitions which requires a fluid planning flow adapting to client needs vs. a fixed process
- I'm hoping to expand my services to include financial planning and risk protection
- Spend less time creating a comprehensive planning document and more time reviewing client facing software on planning topics and risk
- As my clients age, they are switching from accumulation to distribution and that will require a different way of deploying assets, and more support for clients dealing with Social Security, annuities, etc.
- Diversifying revenue stream
- Delegate the planning to paraplanner
- Clients wanting better income predictability and less risk
- Robo
- I see myself scaling my practice for growth and bringing on assistants to take my day to day admin issues away, as well as focusing more on helping clients navigate decisions as opposed to asset management
- I'm aging and my client base is aging I will be slowing down and looking for younger advisors to replace me
- Competing with free access to analytical tools on the internet
- Being in tune with technology, being able to evolve from in-person meetings to video conferences
- Advisor to those seeking fee only services, which I currently do seeing the shift in demographics and demand for services since 2011
- Seeing more of a holistic view through account aggregation, continued improvement in technology
- Attaining new clients through social media and other digital platforms
- More coaching because so much is DYI, but there is still a need for someone to bounce ideas off
- I don't see my role changing much, as I operate as a fiduciary, providing comprehensive financial planning services to my clients…as slow as the process has been, I think eventually a uniform fiduciary standard will be adopted - one that doesn't water down or eliminate the actual fiduciary role through exemptions, such as the BIC… I think once clients start to understand the difference between a fiduciary and a salesman, the death of the commission model will accelerate
- Implementation of technology

- Expanding services to clients in non-traditional areas (health care advice, Medical planning, etc.)
- There will be a greater emphasis on comprehensive planning and asset management will be expected as a component for a very low cost
- I just need to leverage myself better
- Mostly spending in retirement and the different vehicles available for the income to be spent
- Technology
- Need to demonstrate value as a financial planner
- Compliance
- Creating a consistent service model
- Dealing with clients who grew up in a digital age
- My personal role will be more company management and less direct client management as our company is way ahead of the curve in terms of having low fees, doing holistic planning and deemphasizing investment management, so I expect we will not change our approach much…we hope to improve our use of technology to support our practice though
- I think the role of an advisor is going to change more as a quarterback for our clients' financial life
- Coaching
- Change from working in the business to on the business
- The best ways to make money for clients are often at odds with what they hear or see in the media and it is very difficult to overcome 24/7 news noise
- The biggest change or changes will come from things not yet known, many of the changes are currently anticipated or in the works (regulations, fee compression, etc.) but I suspect the most significant change, though, will come from something that is not foreseen or known at this time
- Client acquisition and ability to sufficiently differentiate myself from other advisors in a way that prospects understand and value, such that I gain new clients
- Use of technology to communicate with clients on significant life issues
- Client transition from accumulation to distribution
- Continuing to adapt to our changing industry and the services that clients want/need/expect
- Convincing people that they are paying for advice and coaching, not investment performance
- Retaining management of assets as they pass from one generation to the next
- Need to differentiate and offer more services
- Hiring and retaining key talent then coaching them up
- Technology challenges

- Shift towards more marketing/prospecting
- Staying at the leading edge of understanding what clients want and need
- More planning, more tailored services
- Educate clients and potential clients about the value as an advisor other than solely managing investments
- People will probably have more information before they meet so my role will be to help them make good decisions--in other words, wisdom
- Uncertain regulatory winds coming
- As people become more educated in financial planning, we have seen and expect to continue to see more demand for comprehensive planning and less demand for investment management…thankfully, we prefer the comprehensive planning and feel that we are well positioned for this shift

IV. Implications and Outlook

Predicting the future and how the role of advisors may change is a risky proposition at best, especially when basing this perspective on feedback from advisors engaged in the daily grind of support for clients. Yet our proprietary research with advisors underscores several key themes that have been detailed in this report that suggest patterns for how the role of the advisor may evolve.

- Delivering Value through Planning and Guidance – It is clear from the research that advisors expect the value they deliver to clients going forward will increasingly come from planning and education rather than investment management or products. While many RIAs have already adopted a planning focused orientation, within broker dealer channels (especially Full Service) the transition to a planning and guidance role will be more pronounced. As will be discussed below, the shifting role of the advisor will also reflect some generational differences and be complicated by the substantial number of advisors who expect to transition from full-time status within the next 10 years.

- Aligning Key Risks/Challenges with Additional Support – Advisors are highly diverse with unique needs that reflect how they run their practice, the type of client they work with, and other fundamental factors. Yet there is significant consistency in the key risks and challenges advisors believe they will face and the added support many want and need. Most advisors consider building a practice and being efficient in delivering support to a growing client base as key challenges that must be addressed. Many also believe the uncertainty associated with compliance and regulatory issues looms over their practice and can undermine the future. The solution for most advisors is leveraging technology, which many expecting increasing delivery of support through digital capabilities. Helping advisors integrate and embrace technologies in a seamless fashion is crucial, especially for more established advisors who may be less facile with using technologies than younger advisors.

- Younger Advisors: The Harbinger of the Future? – Younger advisors, especially those age 40 or younger, have some clear differences compared to older practitioners. Many older advisors expect to exit the industry within the next 10 years. The attitudes and behaviors of younger advisors need to increasingly be in the forefront as providers and platforms map out their longer-term strategies and create programs and capabilities to engage advisors. Firms should address younger advisors as a crucial segment and not as a novelty, with specialized support, outreach, and relationship building used by providers and platforms to deepen relationships and create interest and loyalty. Among the important ways younger advisors are distinct include:
    - More likely to be an RIA and part of a team practice
    - More likely to define their role as financial planner and less as an investment manager
    - View their most impactful role going forward as a planner or educator
    - Feel well prepared to meet the needs of existing clients, although less so than older advisors
    - Consider most significant challenges going forward as growing their practice, scaling support, and differentiating their practice and capabilities from other advisors
    - Anticipate most critical risks as managing their time to scale support and navigating regulatory or compliance issues
    - Most significant need for additional assistance relate to operating an efficient practice and helping build their client base, with less concern than older advisors about leveraging innovative technologies
    - Expect to increase their focus on financial planning, retirement income planning, and support for business owners
    - Expect Generation X clients to be equally likely as Baby Boomers to be the primary client segment supported in 5 years
    - Much more likely to expect their practice to grow significantly going forward

- Virtually all expect to be a full-time advisor for 15 or more years into the future

➢ <u>Product Providers and Platforms: Engaging with Advisors</u> – Financial advisors have no choice but to adjust their business models in response to factors internal and external to the industry. Product providers, distribution platforms, and others service providers will have significant opportunity to engage with advisors and assist them in successfully adapting to new client demands, shifting regulatory requirements, emerging technologies, and the expanding range and depth of skills needed to function in this role. It is also apparent that firms looking to support advisors must adopt a more targeted and segmented approach that reflects an increased fragmentation of the advisor audience. Firms that try and serve advisors as a monolithic group with consistent needs and expectations will be at a disadvantage to providers and platforms that have a more nuanced approach that addresses advisors on an individualized and customized basis. This goes beyond the channel oriented strategy which many organizations have in place today. The more granular and focused firms can be in assisting advisors as they make difficult transitions required to stay relevant, the better positioned they will be to create consideration of their offerings and engender advisor loyalty.