

**Forbes** insights

# The Next-Generation Wealth Manager

Advancing Services And  
Personalization With Technology

IN ASSOCIATION WITH



**TEMENOS**



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# Introduction

Technology-driven change has been a fact of life for wealth managers since the arrival of digital platforms, applications and robo-advisors.

Now the industry is implementing artificial intelligence (AI) and sophisticated analytics. Yet adoption of these newer technologies alone won't be enough to guarantee success.

Successful wealth managers will distinguish themselves in how they use advanced tech, specifically if they can leverage it to provide more nuanced and personalized services, the very essence of the industry's competitive advantage and its proven value to high-net-worth individuals (HNWIs).

Forbes Insights and Temenos began to chronicle the digitization of wealth management in 2016 with a report that captured the arrival of robo-advisors. In 2018, we delved into the role of AI. **With this report, we'll look specifically at the value of technology from the perspectives of both the wealth manager and the client—and, to gauge the speed of progress and its impact, we'll compare results from similar questions asked in previous surveys.** How important is technology and analytics in the wealth manager's practice? How will wealth managers distinguish themselves in a high-touch field as technology becomes an even greater part of it?

To develop a full understanding of the qualities that will propel wealth managers successfully into the future, one must start with the expectations of the client—HNWIs and mass affluent investors, both of whom bring to the table a tech-forward attitude. Wealthy investors aren't much different from the rising affluent in their views on technology: they both want it to enhance their relationships with wealth managers. Technology, from the client perspective, should facilitate more active portfolio management,

**Three pathways to success will define the next-generation wealth manager:**

- **Customer experience** enhanced by digital client services and personalization
- **Insight** gained through AI and analytics
- **New markets** defined by the mass affluent and alternative investments

unlock new insights through predictive analytics and reveal opportunities that may exist in alternative investments.

Wealth managers are responding by integrating accounts, building more sophisticated mobile apps, and using analytics and AI to segment their clients more finely. This emerging paradigm positions technology as the great enabler of wealth management's most potent value proposition: expertise and relationships.

To build our portrait of the next-generation wealth manager, we surveyed over 300 executives and over 100 HNWIs. We also spoke with leaders at investment and private banks about the changes, and gathered additional insight from a prominent futurist and an expert in academia.

# Methodology

Forbes Insights and Temenos surveyed wealth managers and HNWIs around the globe, the third survey in a series that began in 2016.

This survey canvassed 305 high-level executives: Over 40% were in the C-suite; a fifth were heads of asset management; and 14% and 9% were managing directors and heads of business, respectively. Most of the executives worked at investment banks (66%), and a third (31%) were at private banks. The survey also captured the viewpoints of 105 HNWIs, 70% of whom had a net worth of £1 million or more.



# Main Findings

The digitization of wealth management services is seen even more clearly as an essential part of enhancing the client experience.

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## **Sixty-four percent of wealth managers**

say digitization is essential for communication and service enhancement, compared with 52% last year and only 25% in 2016.

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## **Acceptance of technology among HNWIs has significantly expanded over the past three years.**

Eighty-seven percent are accepting of technology in their investing experience, up from 80% last year and 74% in 2016.

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## **Wealth managers are focused on acquiring mass affluent clients.**

Customer-focused analytics (36%) and technology (43%) are among the top ways of attracting this segment.

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## **Most wealth managers can create detailed profiles of clients and produce highly personalized service,**

but a significant number lag behind. Sixty-four percent say they can perform highly personalized service, but a third say they're unable to personalize service to the degree they wish.

## **Blockchain will be an important part of wealth management.**

Eighty-two percent see the technology as being important to wealth management for its ability to bring more powerful security (47%) and greater transparency and trust in transactions (43%).

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## **More must be done to fully enable transformation.**

Thirty-eight percent believe that senior management needs to commit greater resources to technology investments.

# What The Wealthy Want: Personalized Service Enhanced By Technology

Success for wealth managers will come down to this: understanding and responding to the attitudes and goals of both HNWIs who are the obvious focus and foundation of the business and mass affluent investors who will define the industry's future as they accumulate wealth.

The Forbes Insights survey shows that HNWIs want technology to play a greater role in their advisor relationships, underscoring the imperative at investment banks and private banks to continue digital transformation. Ultimately, however, they are looking for experience, an understanding of their unique situation and goals, better results from more active portfolio management, and greater predictive analytics and forecasting (Figure 1 on next page).

"Wealthy individuals are willing to pay a steep premium for really smart and likable people, and they won't walk away from that just because of technology," says Gerd Leonhard, a futurist who advises wealth managers on their digital and service transformation. "But they will not be satisfied with an organization full of great people who are completely behind on everything else. They expect complete coverage of technology all the way to the cutting edge of things—applications and mobile, for example—and they value connectivity with people and relationships and opinions and wisdom."

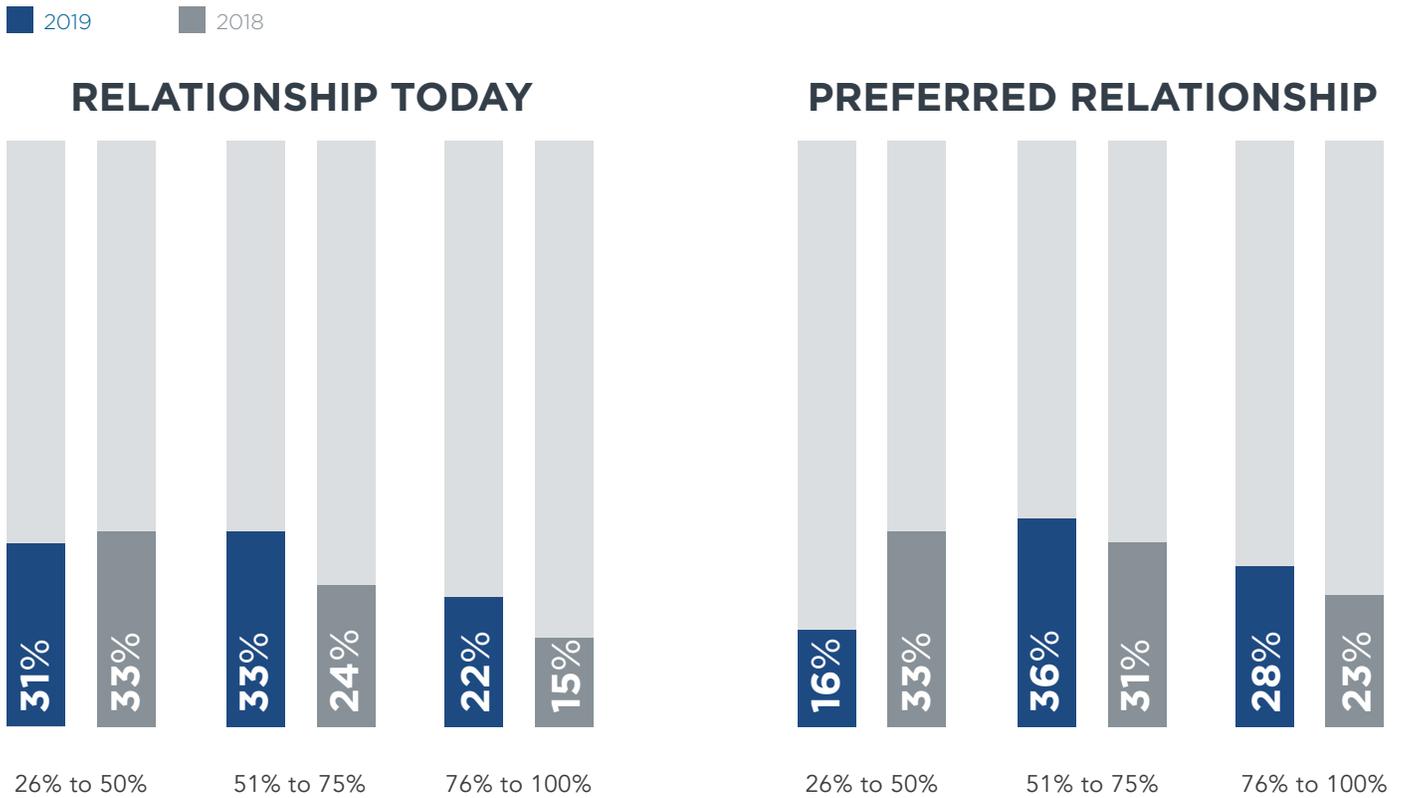
Wealth managers are well situated to distinguish themselves in the age of automation and technology because the human factor has always been the foundation of the business. **The key to their success will be understanding and using technology effectively to advance client services in line with the goals and needs of new investors.**

Gailyn Johnson, chief operating officer of U.S. Bank Wealth Management, says that meeting the goals and needs of clients who expect more service "is really about being more proactive and bringing more value to them in a way that is like a life coach. Wealth management will be driven more by the emotional quotient; it will be about new and deeper insights and solutions—thinking ahead in terms of helping them meet their goals and their life dreams."

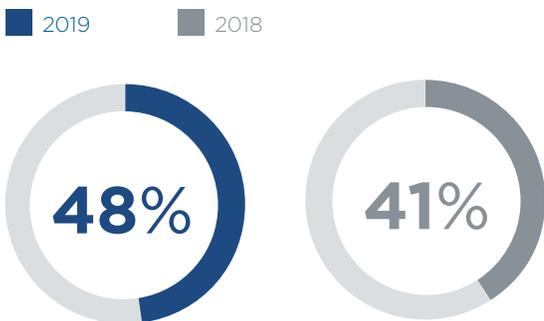
Figure 1.

**What the wealthy think: Forbes Insights asked HNWI's about their customer experience**

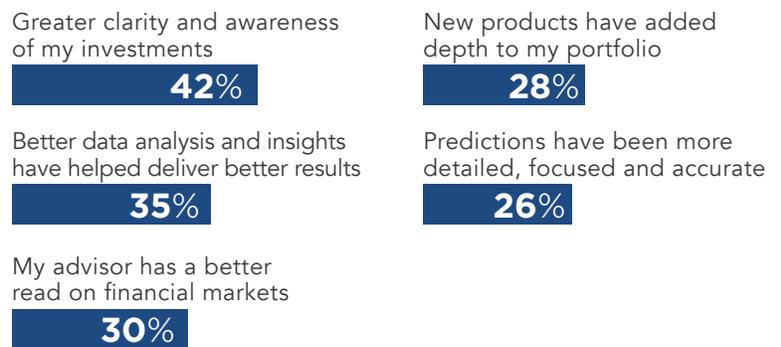
A. How much of your relationship with your wealth manager is technology-based?



B. Do you believe the digitization of the wealth management experience is essential?



C. How has your wealth management experience changed over the past three years? (Select all that apply)



D. As a wealth manager, what ways are your goals and investing needs changing? (Select all that apply)





# Today's Mass Affluent Investors Represent Tomorrow's HNWIs

As the bedrock of older HNWIs dissolves, wealth managers are looking for growth in the groundswell of mass affluent investors who stand to advance in their careers and inherit the assets of their elders, tipping them into wealth.

- Six in 10 wealth managers see the mass affluent segment as highly important to their practice.
- Forty-three percent see strong technology use and AI in particular as the leading pathway to successfully acquiring their business.
- Almost half of wealth managers feel challenged in matching the speed with which mass affluent investors demand service.
- Just over 40% say that offering the services mass affluent investors demand is a challenge.

Figure 2.

**As a wealth manager, which of the following factors will help you acquire and retain mass affluent clients?** *(Select all that apply)*

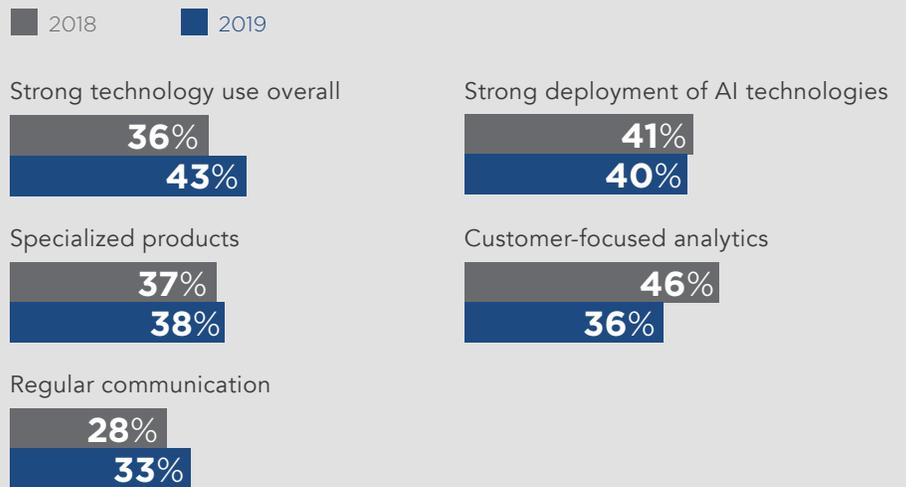


Figure 3.

**As a wealth manager attempting to reach mass affluent investors, which of the following client preferences pose a challenge?** *(Select all that apply)*



# Digital Hallmarks: Defining The Next-Generation Wealth Manager

Just three years ago, only a quarter of wealth managers believed digitization was essential for them to do business.

Now, almost seven in 10 say that a virtual platform is an essential way to enhance the client experience (Figure 4). Technologies, such as machine learning and robotic process automation, have also transformed the wealth management experience for both the advisors at investment banks and the HNWIs they serve. Overwhelmingly, executives see the role of technology across business objectives as significant or highly significant (Figure 5).

Figure 5.

## Percentage of executives who view the role of technology as being “significant” or “highly significant” in pursuing the following objectives:

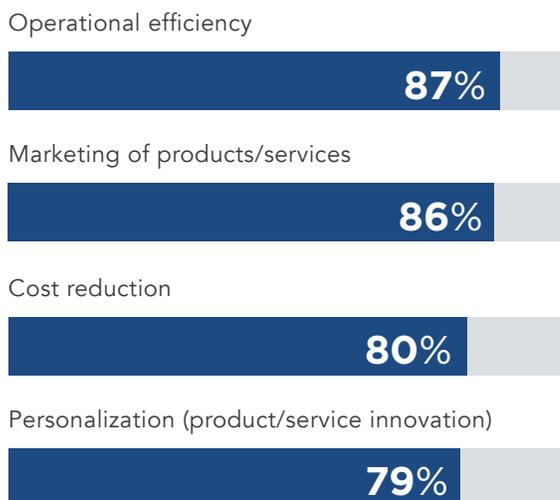
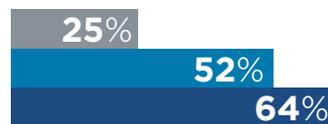


Figure 4.

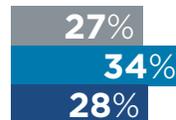
## Which statement best expresses your opinion of the digitization of wealth management services?

2016 2018 2019

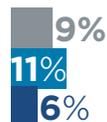
It is essential; I need a virtual platform to do my job and enhance the client experience



It is good overall, but it frustrates my traditional clients



It frustrates me because I spend so much time wrestling with technology



Digitization is harmful to my business because it reduces personal service



I have no opinion



The Forbes Insights survey focused on three pathways to success that will define modern wealth management—customer experiences enhanced by digitization, deeper insights gained through data analytics and new markets accessed by technology.

**Here is the new world of wealth management.**

## CUSTOMER EXPERIENCE ENHANCED BY DIGITAL CLIENT SERVICES AND PERSONALIZATION

Digitization and automation have streamlined processes, such as onboarding, in ways that make the experience much more fluid and efficient for both clients and advisors. Account integration and the launch of mobile apps have changed the dynamic of communication and access to information. Now there is more time for substantive conversations around in-depth insights, the management of their portfolios and other factors that shape a financial life.

U.S. Bank's Johnson says external account aggregation—where clients can access all of their accounts, even ones held at other institutions, on the U.S. Bank website—not only saves time but also grants advisors access to the broader scope of each client's life. These are keys to deeper understanding—and, hence, a roadway to personalization.

James Sefton, a professor of finance at Imperial College London, believes that services will distinguish the successful wealth manager.

“I still see wealth management as being a very personal relationship-type business. **Services are going to change—and that's where it becomes interesting:** there are huge operational efficiency, cost and speed gains to be had in the process of onboarding new clients, doing the due diligence, or KYC,” says Sefton.

Personalization could be called the ultimate goal for wealth managers—it is, after all, at the heart of the customer experience.

**As wealth managers use technology in more sophisticated ways, a key differentiator will be their ability to segment clients at an even more refined level than today. A majority of executives in the survey are already there, but a third said they have more work to do (Figure 6).**

Alexandre Pate, chief operating officer for the Americas at CA Indosuez Wealth, the wealth management arm of Crédit Agricole Group, speaks of the digital onboarding platform the company launched. The amount of time and paperwork involved in setting up a new account could turn the beginning of the advisor-client relationship into an exercise in busy work. It could frustrate both parties. Process automation in onboarding has helped the firm focus on relationships from the beginning by going “phygital,” protecting the physical, human interaction by processing administrative duties through digital channels.

Now the firm is taking more steps to increase productivity and personalization. “We are looking to do more with our high-value skills and expertise as a way to offer an even more refined level of service,” he says. “Algorithms can help a lot. It’s no longer only a matter of the personal advice of an advisor; it’s also properly digesting statistics and data so that you can provide objective guidance and returns according to a personalized suitability profile. However, this is not a client segment where you can just send them to a robo-advisor or website. In Latin America, investors are not as tech-savvy as they are in Europe or Asia. The human relationship is still very much valued in the Latin American market.”

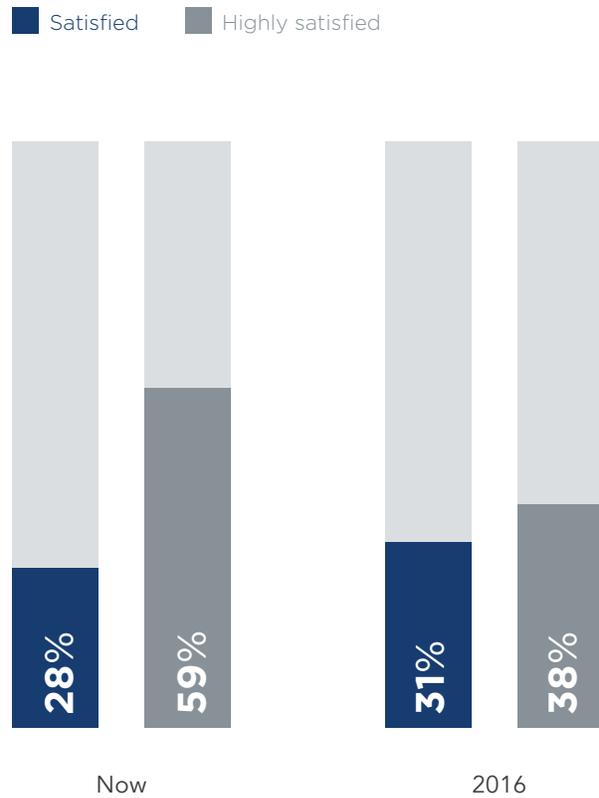
Figure 6.

## Personalization

A. Are you able to segment your clients to create detailed and distinct profiles that enable personalization? (*Select one*)



B. How satisfied are you with your ability to personalize your service to high-net-worth clients—both today and three years ago?





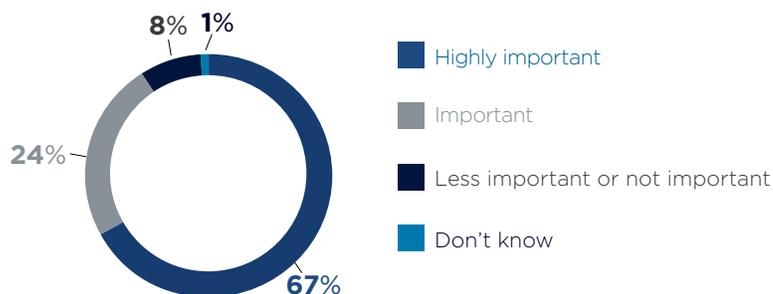
# INSIGHT GAINED THROUGH ARTIFICIAL INTELLIGENCE AND ANALYTICS

Advanced data analytics is not new to financial services, but cutting-edge deployments that enable deeper understanding of complex global markets and investments at a level beyond human capability have been largely confined to hedge funds and niche players. That's changing: **two-thirds (67%) of executives see segmenting and personalizing service as highly important, and a quarter see it as important (Figure 7).**

Figure 7.

## The importance of analytics

A. How important is analytics in segmenting and personalizing the service you offer clients?



B. As a wealth manager, which benefits have you seen from using analytics? (Select all that apply)

Make sense of massive amounts of real-time data across numerous portfolios

**40%**

Tracking of results and success metrics on an individualized, personalized level

**36%**

Increased understanding of financial markets and opportunities

**40%**

Ability to offer white-glove service to mass affluent/less wealthy customers

**31%**

Better asset allocation decisions and tracking

**39%**

More nuanced overall financial guidance

**26%**

More proactive financial guidance

**39%**

Analytics opens up opportunities. As seen in Figure 7B, 40% of executives see value in its ability to unlock a greater understanding of financial markets and massive amounts of real-time data, allowing them to provide more forward-thinking guidance and track results using metrics.

## Analytics—and the AI driving it—empowers wealth managers to be more human. **What they do with the insights will set them apart.**

Sefton points to sentiment signals generated through natural language processing—through a chatbot, for example—as a way to use data from new sources to produce targeted investments in a portfolio.

Eddy Tai, global head of operations and technology at Bank of Singapore, says analytics is very important to their practice. “You have insight and action arise from the understanding of data—and in private banking you have a lot of data about the client,” he says. “Analytics helps us with investment profiling to see beyond what a client tells us on paper or in person, to what products they might really want. We can see the person in the behavior. Analytics helps us deepen our profile and read satisfaction levels, and it can help us predict if a client will leave us.”

AI technologies are the foundation of advanced wealth management analytics that can power more accurate and predictive guidance and returns, as seen in Figure 8.

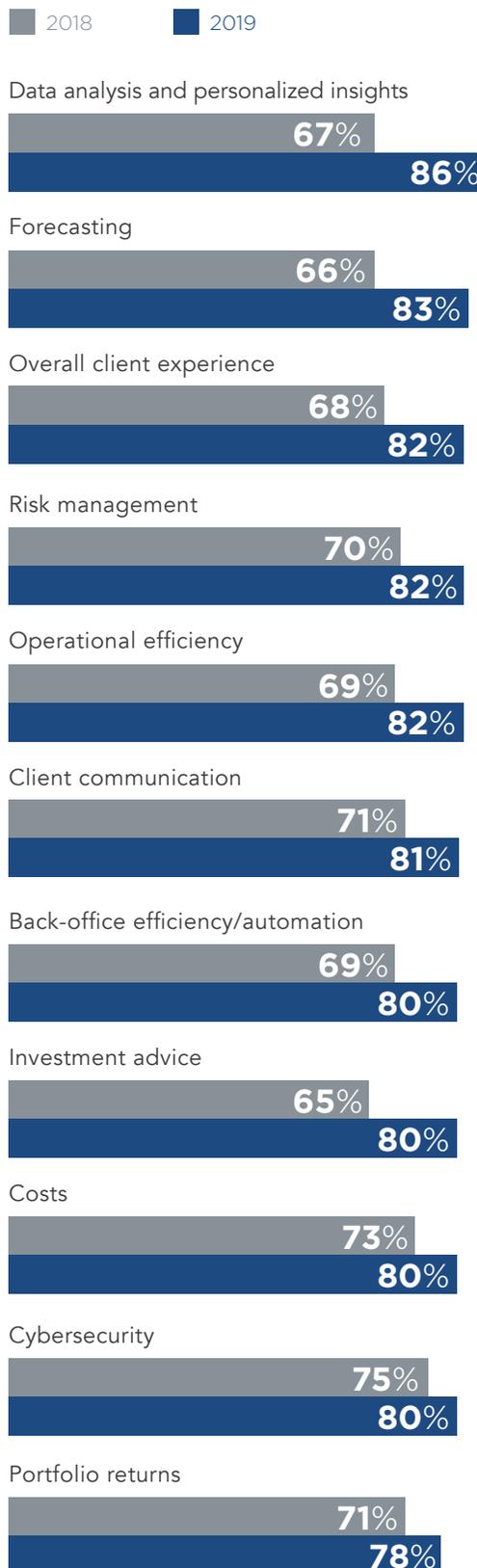
In just one year, the value seen by wealth managers in AI technologies has increased. Less than seven in 10 saw AI as important in data analysis and forecasting in 2018, but now more than 80% see its importance in a range of areas, including risk management, operational efficiency and client experience. We can say definitely that AI has arrived and that its value as a driver of key business objectives is fully recognized.

Bank of Singapore’s Tai notes how AI technologies are making its relationship managers more productive, and he sees them becoming an intelligent assistant in the advisor-client dynamic. “It’s not replacing the RM but helping that person to be even more productive in serving the client. In the future, AI might allow us to directly engage the client with relevant advice and content rather than involving the RM.”

Figure 8.

### The importance of AI

Percentage of executives who say AI is “important” or “highly important” to the following:



# NEW MARKETS DEFINED BY THE MASS AFFLUENT AND ALTERNATIVE INVESTMENTS

One of the areas that sets wealth management apart from the retail segment is the access to—and the guidance around—new markets and alternative investments, a fundamental aspect of the business enhanced by AI and analytics. The wealthy want alpha, a market-beating edge.

Wealth managers will increasingly need their own service-based alpha. Here again, the Forbes Insights survey shows how vital being adept at technology and personalizing service around goals-based investing will be into the future (Figure 9). Such skills will also provide an entrée into the mass affluent segment.

“Investors seek new types of investment strategies, markets and financial instruments to diversify their portfolios from traditional assets,” says Steven Hung, an investor and investment manager at an ultra-high-net-worth family office based in Hong Kong. “By leveraging technologies such as AI and big data

analytics, wealth managers can gain deeper insights into the market and its risks, resulting in smarter decisions. Advances in AI can also help managers discover new sources of alpha and customize investors’ portfolios to their specific risk profiles.

But technology is not a substitute for human relationships, and **managers must continue to build investors’ trust and confidence**, while understanding their individual needs and expectations.”

Figure 9.

## Percentage of executives who agree with the following statements about being a successful wealth manager of the future:

Being adept at technology will be key to success



Having a global mindset and deep knowledge of foreign markets will be even more crucial



Increased personalization of products will be critical to facilitating successful goals-based investing



Success will depend on working effectively (connecting) with different demographics, such as younger investors



Emotional intelligence will distinguish advisors from the crowd



# How Wealth Managers Around The World View Key Issues

Survey results show differing views of digital platform, analytics, forecasting and the role of emotional intelligence, or EQ, which is the ability to understand one's own and other's emotions and the talent to manage interpersonal relationships. In the context of wealth management, EQ is particularly important as technology becomes a bigger part of the client experience. **"The more technology we use and the more connected we become, the more human we need to be in response,"** says Leonhard, the futurist.

## Digital Communications Platform

Seventy-eight percent of wealth managers in Latin America say it's essential to have a virtual platform to do their job and enhance the client experience, versus 64% overall and 52% in Europe.

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## Artificial Intelligence

Over 50% of executives in the Middle East/Africa think that financial guidance might change as a result of AI, compared with 45% overall.

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## Analytics

Eighty-six percent of wealth managers in Latin America say analytics is highly important, versus 51% in Europe.

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## Forecasting

Wealth managers in Asia-Pacific have higher expectations for AI's effect on forecasting: 47% of executives say they will be able to read markets better because of it, compared with 30% in Europe and 24% in Latin America.

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## Mass Affluent

Only half of executives in Europe say that attracting mass affluent investors is important, compared with just over 60% overall and 74% in Latin America.

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## Emotional Intelligence

Most wealth managers in Latin America (68%) and nearly half in Europe (50%) and the United States (49%) believe that emotional intelligence will distinguish advisors, compared with just 30% in Asia-Pacific.



# Extending Digital Transformation: Technology And Services

Almost every wealth manager believes the digitization of wealth management services is a good thing or essential (92%, from Figure 4), but there is more work to be done.

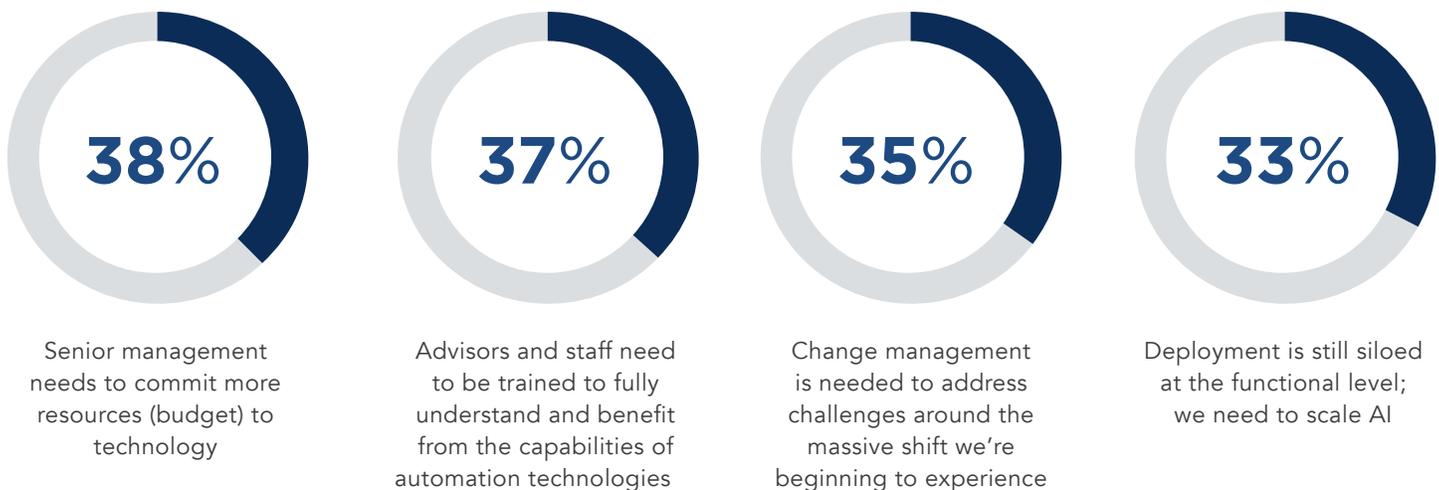
Across a big swath of the industry, IT systems are still outdated and the commitment to advance technology is lagging.

“Wealth managers have to get really good at understanding and building technology—and they have to invest significantly,” Leonhard said. “The biggest roadblock for most of those large players is that their IT systems are hopelessly outdated, so they have to update their systems and then actually know their way around the technology like a native.”

Indeed, as seen in Figure 10, the one big ask among many executives (38%) is for more resources—in the form of bigger budgets—to continue the digital transformation that will enable them to compete and draw mass affluent investors. Nearly same percentage (37%) say that training is needed for advisors and other personnel to fully understand and benefit from automation technologies. And a third have yet to scale their deployment of AI beyond siloed functions. The next step for this group is scaling automation across the enterprise.

Figure 10.

**Percentage of wealth managers who believe their company must take the following steps to establish wealth managers of the future.** *(Select all that apply)*





“Wealth managers have to get really good at understanding and building technology—and they have to invest significantly.”

**GERD LEONHARD**

Futurist

# BLOCKCHAIN

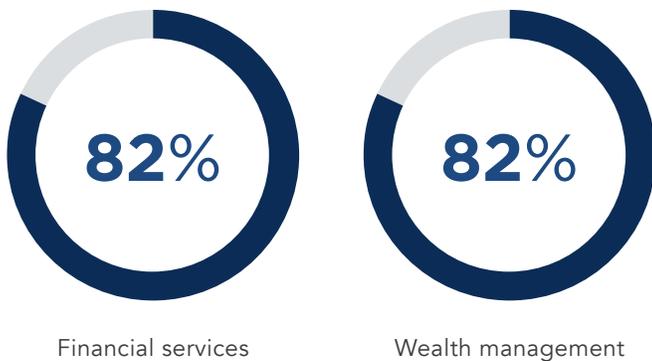
In the survey results and in the conversations Forbes Insights had with the experts in this report, it's clear that blockchain is generating significant excitement and anticipation in both wealth management and financial services overall (Figure 11). Executives see the technology, a digital ledger that provides an immutable record of transactions and ownership, as a way to provide more powerful security, particularly as a method of fraud detection, and as an aid to compliance. It may also have a big impact on client services by providing greater transparency and enabling better KYC.

"Blockchain can reduce incidents of money laundering and more aggressive criminal actions," says Sefton, the professor at Imperial College London. "There has to be a really watertight system, and there are a lot of obvious technologies that could do that for you. Blockchain in particular really promises to simplify the whole process by allowing transparency around onboarding and other customer service aspects of wealth management."

Figure 11.

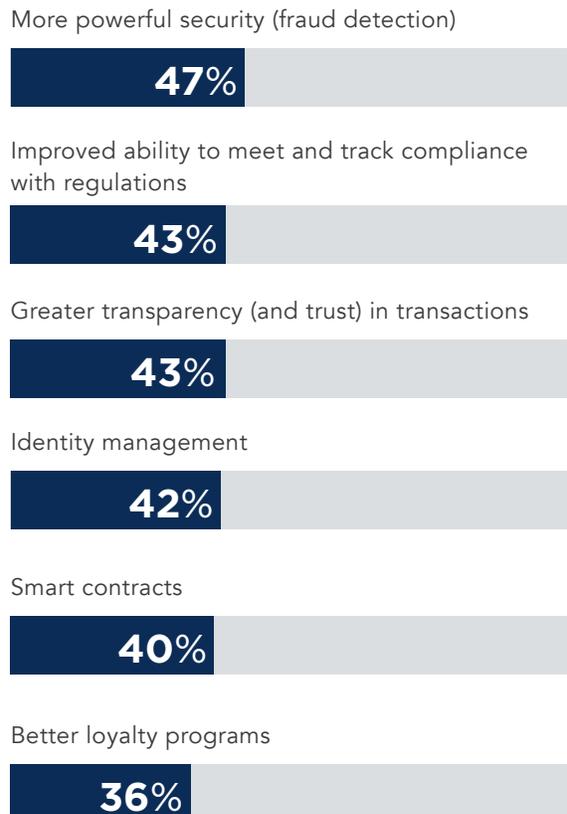
## Blockchain

A. Percentage of executives who agree that blockchain will play an important role in the following industries:



Says Leonhard:  
"Blockchain is primarily useful as a new way of **facilitating database transaction much faster for 95% less cost.** It won't be so much about money itself as about contracts and data and logistics.

B. Percentage of wealth managers who said blockchain will provide the following benefits. (Select all that apply)



# Conclusion

What will it take for the next-generation wealth manager to achieve success? It's a blend of qualities comprising technological proficiency and those that have always distinguished the business: exceptional client services and personalized attention with an investment edge provided by advisors using the most advanced tools of the trade.

All of the experts interviewed by Forbes Insights point to the value of experience and wisdom that enable advisors to understand the human aspects of goals, the interactions and dynamics that can characterize the management of family wealth and complex personalities. As the futurist Gerd Leonhard noted in this report, relationships and expertise remain a competitive advantage.

**The modern client-advisor relationship is powered by mobile platforms and digitization—and AI technologies like machine learning—but it remains at its core a very human one. Technologies should be seen as a means to a business end, with the goal being increased client satisfaction from understanding the three pathways to success covered in this report.**

Wealth managers will need a platform that is scalable and integrated, something that Tai says will be enabled by migration to the cloud and elastic architecture. “We believe that in the future, the banking model will be different,” he says. “Systems will be different and connected to many partner systems and platforms, forming an extended ecosystem. In this new dimension, you need open API. You need to be more scalable through the cloud.”

Now that digital transformation is firmly established—either well on its way to completion or in process—wealth managers must be sure they have a deep enough understanding of the technology and the ways it can bring value, while preserving their most precious assets: the human alpha of wisdom and foresight. The vast majority of HNWIs are knowledgeable about investing and technology, and they will only become more sophisticated in the coming years as younger generations born into an AI world (let's call them AI natives) join the HNW ranks.



“Systems will be different and connected to many partner systems and platforms, forming an extended ecosystem. In this new dimension, you need open API. You need to be more scalable through the cloud.”

**EDDY TAI**

Global Head of Operations and  
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# About Temenos

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