

## ICI VIEWPOINTS

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## Industry Operations Leaders Address Needs of Investors and Advisers

By Candice Gullett

In conversations exploring regulation, demographics, and technology, industry leaders offered their perspectives on serving investors and advisers in an evolving world at ICI's annual Operations and Technology Conference, held concurrently with the General Membership Meeting on May 18–20 in Washington, DC.

Several panels discussed how firms are responding and adapting to regulation by focusing on the client experience, including "Meeting the Evolving Needs of Investors and Financial Advisers," moderated by John Moninger, managing director of retail sales for Eaton Vance Distributors. The panelists—Lisa Klassen, principal for Edward Jones Investments; Steve Samuels, managing director at Bank of America Merrill Lynch; and Jim Waters, vice president at Goldman Sachs Asset Management—talked about how regulation has and will shape the industry, and agreed with Moninger when he said that although regulation can present challenges, it "can sometimes create opportunities—we need to remember that."

### Changing Demographics and Technology

Regulation isn't the only thing that's changing in the industry. Panelists also discussed how demographic trends and advances in technology have led to shifts in client preferences. For example, though there has been a lot of discussion about how Millennial clients are more adept with technology than older generations, sometimes older advisers are surprised to find that many of their clients—of *all* ages—want e-delivery or the ability to check account balances online. And it's important that these online interactions go well—according to Klassen, even if clients have a good relationship with their adviser, 20 percent would leave if they had a bad online experience.

Samuels added that even though younger investors might want to do things in fundamentally different ways, "Seventy-three percent of Millennials have and share the same values as their parents." This means, he said, that advisers really need to foster these family relationships, because even if Millennials don't want to work with a financial adviser now, they will eventually.

### Firms Serving Advisers

Demographics also come into play with how firms serve advisers. Moninger pointed out that the average age of advisers is in the early 50s, and asked how firms are preparing for a new generation of advisers and clients. Samuels responded that many of his firm's newer advisers "want to come into a team environment. Working with a team, being mentored, is helpful for team structure and for the development of the next generation. We've found that there's a higher success rate for new advisers with this model."

With a smile, Klassen added, "We love the younger advisers—because they will adopt every new tool!" Samuels then weighed in, emphasizing that both younger and older investors bring something unique to the table: "Even better is when you have young and older advisers working together, because they can learn from and support each other."

Another way that head offices can help advisers is to take on the burden of understanding new regulations, taxes, and other macro variables. This frees advisers up to do what they do best—build relationships with and guide clients.

### Advisers Serving Clients

The panelists agreed that one of the best ways to help individual investors is to give advisers the tools they need. Technology has changed the way that head offices provide content to branch offices and, in turn, how advisers provide information and education to

their clients. “One of our responsibilities is to help advisers build scale and better serve clients,” explained Klassen. “Our tools should enable them to advise.” For example, she said, her firm has recently integrated the capital gains schedule into their electronic system, making it immediately available, rather than emailing the new schedule out every year to advisers.

It’s also important to foster personal relationships between the client and adviser, argued Waters. “We talk about the industry on a mass scale,” he said, “but ultimately, it still operates on a one-on-one basis.” Support could include providing white papers, educational materials, and tools that advisers can use to engage their clients. Klaasen concurred, adding, “Our most successful advisers take a holistic approach, so we need to build tools that do the same.”

Samuels said that the principles of behavioral finance enable advisers to better understand their clients’ desires, needs, and differences. Because clients sometimes have problems articulating goals, he said, “we put together a schematic that spells out seven life priorities: health, work, home, leisure, family, giving, and finances. This helps clients spell out their priorities, and helps us match them to products that meet their needs.”

## **Duty to Investors Remains the Constant**

Amid what seems like ever-accelerating change, the panelists said, one constant remains: the need to responsibly serve the client. “If you listen to clients, and focus on the client experience, you’ll be able to adapt to regulations effectively,” Samuels said. “It’s back to simplicity and delivering a good client experience.” Waters agreed, adding, “From a service perspective, it goes back to ‘ease.’ We need to be thinking about how we can make things easier and better.”

Samuels quoted Charles E. Merrill, cofounder of Merrill Lynch, as saying, “The interests of our clients must come first.” He wrapped up by reminding the audience that that “we can’t do anything until we understand clients—their lives, their interests.”

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