The Future of Financial Advisor Technology

A new technology revolution is transforming financial services. Here's how it will help financial advisors grow their business faster and more efficiently.

Sci-fi finance is on its way

Innovations in new technologies such as deep learning, natural language processing, computer vision, and virtual agents are spreading their wings in almost every industry, but there are few industries which these technologies have the potential to disrupt and transform more than financial services. Fears that advances in technologies such as robo-advisors will displace human financial advisors have already diminished, but that doesn't mean financial advisors can rest easy. Robots may not take financial advisors' jobs, but other financial advisors who have harnessed the newest and most powerful technologies will likely dominate.

Moreover, relentless competition, fee compression, and increasingly demanding clients are putting a serious strain on the merely human advisors. We are now seeing the rise of the so-called "Advisor 2.0," digitally-enhanced human advisors equipped with robust automated capabilities and tools. These tools will both free financial advisors from time-draining mundane tasks and enable them to do their most important work better.

Rapid changes in the financial industries are being driven by incredible innovations among financial technology (fintech) companies. In 2018, $17 billion flowed into U.S. fintech firms, up 46% from $11 billion in 2017, according to estimates from [Accenture](#). Those investments are feeding a variety of fintech solutions, including insurance technology, regulatory technology, financial data APIs, back-office automation, personal finance, and robo-advisories.

But what is clear is that it is early days in fintech innovation, which means it is an exciting time to be a financial advisor. Some areas of innovation in financial advice technology will falter and fail, but others will take flight and drastically change the roles and potential of financial advice, empowering advisors to do their jobs more effectively, faster, and with far superior results for their clients. Below I describe three areas where I see the greatest opportunities, and offer some suggestions for technology vetting and adoption.

Big insights from big data

Big data, which basically means lots of disparate information that can be analyzed to reveal patterns and associations, is a nascent but powerful resource. In the coming years, financial advisors should look for ways big data can benefit almost every aspect of their business.

Big data is getting even bigger, and, combined with artificial intelligence, is increasingly being adopted as a highly effective technique to manage portfolios and guide investment decisions. Big data can be categorized as structured or unstructured data. Structured data includes information readily organized in relational databases, and can encompass daily financial data and statistics. The amount of this data is immense in the financial industries. The New York Stock Exchange, for example, captures one terabyte of information every day. But a company's valuation depends on more than just financial statistics. Multiple social and other qualitative factors can impact a company's valuation and stock price movements. Unstructured data is information that does not fall into a pre-determined model or pattern, and can include data gathered from sources such as social media content, news stories, and research documents. In the coming years, innovations in natural language processing will be used to more effectively consume these inputs and perform sentiment analysis to identify investment opportunities. In conjunction with big data, algorithmic trading, leveraged by robo-advisories through increasingly sophisticated mathematical models, is finding new ways to use vast historical data to maximize portfolio returns.

But big data and AI can not only be applied to markets and investment strategies, it can also be applied fruitfully to clients themselves, which brings to our next area of innovation: hyper-personalization.

Hyper-personalization

Hyper-personalization takes personalization to the next level by leveraging advanced technologies, such as artificial intelligence (AI) and machine learning, to deliver highly relevant service, advice, and experiences to each client. New technologies are emerging to create self-learning "profiles of one" for each client. These technologies gather information from disparate sources to track, analyze, and identify each client's important life events,

goals, and financial status, behaviors, and preferences. Developing accurate and useful client profiles not only empowers advisors to better meet the unique needs of each client, but also helps foster client loyalty, trust, and retention.

For example, AI is being applied to wealth management services to help financial advisors identify the investment preferences of a client to a degree that was not possible until now. In the future this will empower advisors to take into account multiple disparate factors that influence objectives and attitude towards risk, and to develop far more precise and actionable measures of investment goals and risk tolerance. For example, if a client reacted in a suboptimal way to certain market changes in the past, new systems can prompt the advisor to deploy strategies to ameliorate risk and keep the investment strategy on course.

New technologies will also enable deep dives into each client's life priorities and events. For example, in the future, financial advisors will be able to quickly identify and combine data regarding life events with demographic and psychographic data to adapt financial goals and modeling. Companies like IntergenDATA are already taking things a step further by helping financial services companies actually predict when clients are likely to have an important life event occur and assess its potential financial impact.

High-touch tech

New technologies are also evolving to empower financial advisors to connect more effectively and more frequently with greater numbers of prospects and clients. Clients today expect their interactions to be both highly personal and efficient, and want 24/7 accessibility. As a starting point, most advisors have implemented some form of client relationship management (CRM) system to manage communications, calendars, notes, and tasks. In the future, look to see much smarter CRM systems, which can identify and anticipate client top preferences and needs, develop the best communication strategies, and even take action on their own.

For example, artificially intelligent CRM systems will get better at monitoring a client's preferred frequency (how often they want to talk with you), channel (mail, email, phone calls, text, or virtual), and schedule (which days and times) the client prefers to communicate. The systems can then either prompt an advisor to contact the client (due to an event or certain time lapsed) or even initiate relevant conversations.

AI can also make client communication more personalized and effective. By mining a client's profile and financial and communication history, new tools will identify priority topics and relevant insights, and even determine emotional tone that works best with each client. Leading CRM applications like Redtail are already harnessing AI technologies that identify key phrases and patterns to alert and guide advisors in their client interactions.

AI will increasingly be in tune with what matters most to each client, tracking each client's life events and priorities. For example, if a client is expecting a new child or grandchild, or will be sending a child to college soon, the system can help initiate conversations about these topics at the right time in order to address and adjust goals-based planning based on new life stages.

24/7 accessibility will also become the norm. Younger clients in particular are looking for greater transparency, convenience, and the ability to research and guide their financial plans and strategies. Portals that enable clients to review their information at any time and tools to easily research investment ideas or financial trends are now commonplace. Companies like eMoney Advisor, Advent, and United Capital are enhancing their portals with personalized content, visualizations of key interactions and decisions, document vaults, and goals-based reporting.

Smart tools that enable accessibility and communication at all times are becoming more sophisticated and effective. Simplistic chatbots will be replaced by integrated cognitively advanced digital assistants that will be far better at simulating intelligent and relevant human conversation and initiating actions based on conversations and client requests. Thanks to advances in neural networks, new digital agents will be able to have lifelike conversation and respond in human-like ways. Today, mega-tech companies like Amazon, Google, Apple, Microsoft, and Facebook are leading investments and innovations in natural-language research and applications, but look for broader applications in the financial world in the coming years.

How to choose the best technology for you

With more and more technologies available to financial advisors every year, selecting the tools most appropriate for your business can be a challenge. Below are a few suggested criteria for the selection of technology that will help make your life easier and your business prosper.

Technology to save time. No matter your company's size or success, time is undoubtedly your most valuable and most limited asset. A growing number of applications are available for financial advisors to reduce the amount of time they need to spend on client processing, number-crunching, compliance, and back office tasks so they can instead focus on building client relationships and meeting client needs. Many examples abound. Software like PreciseFP helps simplify the gathering of client data, Docupace helps automate many back office tasks, Compliancehero takes some of the pain out of compliance, and apps like iRebal and TRX help make portfolio rebalancing easy. To choose the best technologies for your organizations, audit your processes to identify where you're wasting the largest amount of time and money. From there, you can search for the tools that will empower you and your team to focus on areas where your time is best spent.

Technology to empower your most important roles. While some technologies reduce distractions, others help make you better, faster, and smarter in the roles that really make a difference to your clients and for your company's success. Some fintech innovations are helping advisors get better at the critical role of financial planning. MoneyGuidePro and eMoney are the highly regarded leaders in comprehensive financial planning software, but other apps provide more pointed solutions. Our own product, Life Stage Insights, helps advisors connect with what is most important to their clients with a suite of discovery and targeted content marketing tools. Applications like ESPlanner, RightCapital, goalGamiPro offer their own specialized approach that can add tremendous value to an advisor's client service and solutions.

Technology to support your niche. In an increasingly competitive market, being a highly skilled financial advisor is only half the battle. To stand out from the competition, advisors must not only show why they are better, but also how they are different from the competition, and what they offer to a target market that other advisors cannot. Whether your niche is demographic (e.g. women or younger clients), value-based (e.g. environmental or socially responsible), professional (i.e. serving a particular professional or industry), or technical (i.e. providing a deep expertise in a particular area), you will find technologies that make you even better at serving your niche.

Technology that thrives in your ecosystem. In the coming years advisors will be supported by an increasingly sophisticated tech ecosystem. Taking on apps that can't communicate easily with each other is like trying to do business in the Tower of Babel. When considering the addition of new resources, it is important to select products that "play well with others," whether through robust integrations or their simplicity and ease-of-use.

We are just at the beginning of the tech revolution in the financial advice industry. As with every other industry revolutionized by technology, financial services will be disrupted, reshaped, and re-imagined with new tools and capabilities. The road may be bumpy on occasion, but as innovations accelerate, technologies will help advisors provide even better solutions for more clients, a certain win for both advisors and the clients they serve.

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