The Digital Wealth Management Outlook

2023

Contents

Chief Executive's Review

Navigating shifting sands with service excellence

What has been the most significant challenge your wealth management firm or private bank has faced in the last year?

There are numerous trends at play which are proving challenging on various fronts. Let's begin with the macroeconomic conditions that are affecting all industries. At a global level, the promised recovery in the aftermath of the pandemic was dealt a shock as Russia invaded Ukraine in February of 2022. As a result, the global supply chain was impacted, driving up prices in food and energy and advanced economies are battling to keep inflation under control.

The geopolitical reality cannot be underplayed as markets across the board have been affected. However, these macroeconomic trends come at a unique point in time, exacerbating challenges which were already growing in significance. These include the great wealth transfer from one generation to the next – and the resulting advice gap in dealing with this shift – the ever digitalization of our world, and clients' constantly shifting service expectations.

It's true that firms have – and will continue to – face significant challenges. However, opportunities still abound despite this, particularly for traditional institutions. Firstly, thanks to the great wealth transfer, millennials will soon become the majority global wealth holders. Whereas family ties were once enough to secure a smooth transition, firms must now earn their place at the table by understanding the needs and desires of younger generations. This demographic tends to be interested in different asset classes, wants to make more ethically driven investment decisions, and expects digital channels to be in an advisor's communication toolkit.

This also holds true for the increase in technology entrepreneurs and HNW women, the latter of which are expected to collectively possess 97 trillion US dollars by 2024. Firms, as such, must respond and provide products and advice that align with this demographic's interests and preferences. The growing female market share represents a clear opportunity for wealth management firms with the insight to innovate and capture their attention.

Likewise, claiming a share of the mass affluent market is more attainable than ever before, as robo-advisors hit stumbling blocks and there is still a significant market share up for grabs. Whether through partnerships or acquisitions, incumbent firms can combine expertise with digital capabilities to take advantage of this growing market. The firms who succeed in this will be able to offer tiered products that cater to all types of investors, while ensuring a seamless digital experience.

Overall, the quality of the service offered is a golden thread that ties many trends together. As the world returns to face-to-face interactions, digital channels are settling into a hybrid role, providing clients with greater access to more convenient advice. For this reason, the preference continues to lean heavily towards a robust and seamless omnichannel experience that also offers the best that authentic, human reassurance can provide.

This emerging context also plays into advisors' hands, as client experience lays the groundwork for accelerated AUM growth. With more convenient interaction and greater client access to advice, firms can build stronger relationships that result in more business.

Historically, the wealth management sector has been slow to evolve in this manner, but a superior digital offering is at the heart of all trends and delay is no longer feasible for continued success.

While the challenges have been significant, I remain confident that the opportunities remain for the firms or private banks willing to step up and capitalize on them.

Luc Haldimann
CEO, Unblu

Introduction

The previous year brought new challenges to the fore, with geopolitical tensions and the resulting fallout defining the experience for many. This has been compounded by substantial trends that were already in place, primarily the continued march toward digitalization, the unprecedented generational wealth transfer, an aging workforce, an increasing female presence, compliance and security considerations, and opportunities in the mass affluent market space.

So, what's in store for 2023 and who will come out on top by the end? Given events in the first quarter, with the collapse of Silicon Valley Bank and Credit Suisse's precarious position even after the UBS deal, there's a climate of uncertainty surrounding the finance sector. On top of this, organizations have to contend with the complex context of shifting demographics, values, and interests that characterized the landscape in 2022.

What remains true, however, is that the firms that are most likely to succeed are those that are able to tier their products and offer up-to-date advice in the most accessible and compliant manner.

The reason for this is because service experience remains the prerequisite for success, defined by hybrid, omnichannel solutions that offer the best of both digital and traditional, in-person worlds.

In an industry that is, on the whole, relatively digitally immature, we're reaching a make-or-break moment to either transform or fall behind.

All the opportunities that exist, such as tapping into the changing demographic segments – many of which are more digitally savvy and ethically minded – are dependent on the ability to meet these expectations.

It appears that 2023 will be defined by a landscape of enhanced challenge but also with profound opportunity. What remains to be seen is who will be the first through the door.

Using this report

Strategists and executives at private banks can utilize the following report as a roadmap of key trends that are shaping today's wealth management landscape. Considered in the context of your organization, this should make it possible to identify actionable next steps for your digital strategy.

To begin with, we take a look at the emergent 'mass affluent market' and upcoming transfer of generational wealth. Next, we set our sights on client expectations and needs, looking at how the changing demography of wealth management will condition a demand for expanded service offerings and new models of service delivery.

Finally, we go inside financial institutions to analyze how workforces and partnerships are transforming in line with the impulse of tech and digital.

Part 1: Changing Contexts in Wealth Management

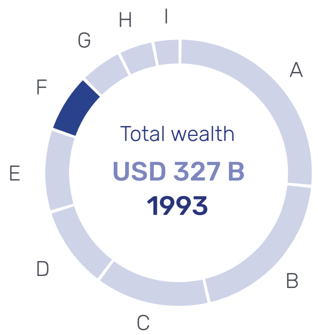
New demands as client demographics evolve

The demographics that make up high net worth individuals and investors have evolved, contributing to the shift in the wealth management industry. Perhaps unsurprisingly, the new breed of wealthy and ultra-wealthy individuals come largely from the tech and digital media sector (Capgemini)[1].

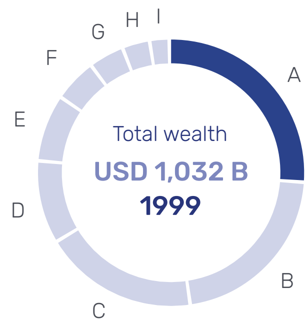
As financial firms manage this wealth, differences in the demands and expectations they have are becoming apparent.

Part of this is value-driven, with topics such as sustainability of great importance to this subset of wealthy individuals. However, the way they want to invest has also changed, with a strong emphasis on new asset classes a natural draw given their backgrounds.

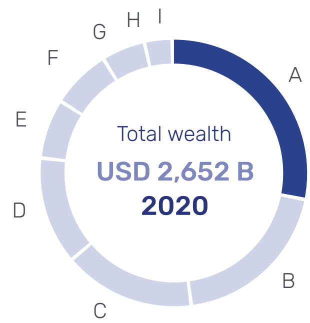
For incumbent firms, having the capabilities and insights to provide sound advice in these areas is essential, which may even include redesigning their service offerings.



A	Inherited	27%
B	Other	20%
C	Finance	14%
D	Publishing & Media	10%
E	Retailing	10%
F	Technology	7%
G	Telecoms	5%
H	Real Estate	4%
I	Oil	3%



A	Technology	27%
B	Inherited	22%
C	Other	19%
D	Finance	10%
E	Publishing & Media	8%
F	Telecoms	5%
G	Retailing	4%
H	Real Estate	3%
I	Oil	2%



A	Technology	29%
B	Finance & Investments	20%
C	Other	16%
D	Fashion & Retail	13%
E	Food & Beverage	7%
F	Media & Entertainment	7%
G	Real Estate	5%
H	Energy	3%

Source: Capgemini, World Wealth Report 2021; Forbes Billionaires: The Richest in 2020, accessed March 2021.

a) Categories represent the individuals' primary source of earning. b) The Finance & Investment category pertains to individuals whose primary source of income is derived from the FS industry (e.g., mutual fund and brokerage company founders, hedge fund managers, founders of FinTech, etc.). c) In the 1993 and 1999 graphs, the Technology category was derived by totaling the original Software, Computers, and Internet categories.

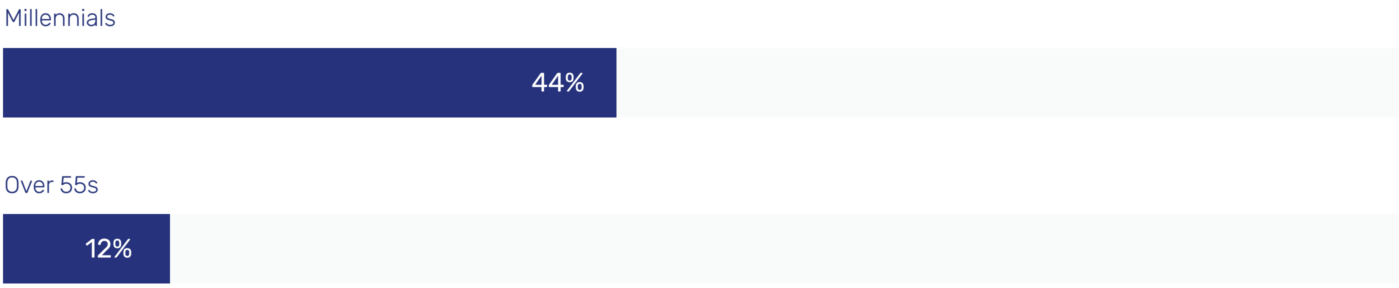
1 https://www.capgemini.com/insights/research-library/world-wealth-report/

The volatile world of crypto and digital assets

Cryptocurrencies are popular among younger investors, with a reported 44% of millennials eager to find out more about this area, compared to only 12% of the over 55 group (Refinitiv's Wealth Management Report)[2].

However, a mixture of inexperience and an understandable sense of wariness at the volatility of these assets is leading to financial advisors simply not offering these products. While the risk is real, especially as part of a long-term investment strategy, the demand must be met. In the next few years, incumbent firms will have to take the leap and offer these products. However, as the incoming regulatory oversight of the asset class begins to emerge, the risk should be somewhat mitigated, encouraging even more investors to get involved and providing a lifeline for wealth management firms (Refinitiv's Wealth Management Report).

Cryptocurrency popularity by key demographics:

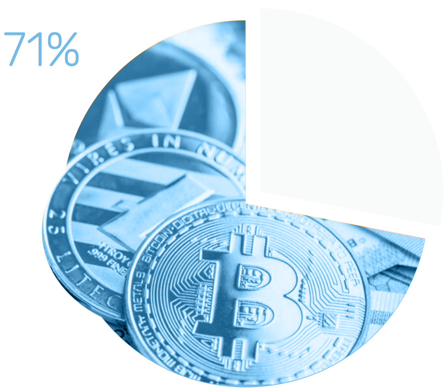


2 https://www.refinitiv.com/en/resources/special-report/getting-personal-in-wealth-management

The digital investment portfolio

Keeping with digital investments, the rise of new tech-based asset classes has led to 71% of HNWI individuals having invested in cryptocurrencies (Capgemini)[3]. When you consider just HNWIs under 40, this rises to 91% (Capgemini)[4].

Increased popularity has led to greater choice, with larger players getting into the market and announcing crypto funds. In the end, every type of serious investor has a broad range of options in the digital assets space.



The rise of new tech-based asset classes has led to 71% of HNWIs have invested in cryptocurrencies

Staying relevant while staying regulated

The increased interest in digital assets is leading to new opportunities for investment, so much so that it's something of a prerequisite for wealth management firms. This is especially true to build or maintain intergenerational loyalty or gain a younger client base.

That said, offering digital assets in a vacuum isn't likely to lead to increased risk and potential underperformance. For this reason, firms need to invest in digital asset training for their advisors and clients alongside establishing robust protocols to protect wealth. Given the market's volatile nature, firms will have to work harder to maintain trust and ensure their clients' wealth doesn't suffer.

3 https://www.capgemini.com/insights/research-library/world-wealth-report/
4 https://www.capgemini.com/insights/research-library/top-trends-in-wealth-management-2022/

Generational shifts in wealth ownership

An historic moment is coming

As the Boomer generation ages, we are reaching a tipping point in who controls the majority of the wealth. Known as "the great wealth transfer," experts predict that in the decades remaining until 2060, around $60 trillion will move from older generations to younger ones (Capgemini)[5]. While generational wealth transfers are a matter of course, the scale of this upcoming shift is expected to be the most significant in history.

On the other side of the relationship, the older generation of financial advisors are reaching the end of their working lives, and will likely step back from wealth management relationships that have stood for years. Deloitte estimates that around 43% of financial advisors in the US are aged 55 or older, meaning that between a third and a half of the entire current workforce will retire in the next 10 years (Deloitte)[6]. Given the generational wealth shift – which implies a complementary shift in expectations – the younger advisors set to replace their elders will need to embrace new practices to meet client needs.

43% of financial advisors in the US are aged 55 or older

5 https://www.capgemini.com/insights/research-library/top-trends-in-wealth-management-2022/
6 https://www2.deloitte.com/us/en/pages/consulting/articles/ten-disruptive-trends-in-wealth-management.html

Capitalizing on existing family loyalties

In this context, there will need to be a strong emphasis on maintaining multi-generational relationships within the same family by providing a mix of digital and in-person service options. While for many firms this will involve investing in relevant digital software, there should also be a strong component of training current staff members or hiring new ones able to fully leverage the new digital reality.

The importance of embracing this new digital reality cannot be overstated. Whereas in the past, wealth management relationships could be expected to pass from one generation to the next, an incredible 80% of millennials now look for new financial advisors once they've inherited their parents' wealth. The reason for this is mainly to do with the enhanced digital and mobile experiences digital wealth management firms are able to offer, which matches their service expectations in other areas of their lives (Capgemini)[7]. For long-standing wealth management firms that don't currently have a strong digital offering, retaining family relationships is certainly at risk. Moving forward, understanding and providing for the preferences and concerns that define the new generation of investors is essential.

7 https://www.capgemini.com/insights/research-library/top-trends-in-wealth-management-2022/

Sustainability: Value-driven investment choices

Globally, an estimated 51% of investors are familiar with sustainable investments. Although a sense of moral obligation certainly plays a key role in its popularity, 42% of investors surveyed claim that positive performance is the primary reason they would consider ESG investing.

Looking forward, the positive financial rewards associated with ESG investment will undoubtedly drive demand. To remain competitive, wealth management firms will need to invest in understanding and developing ESG investment strategies to evaluate the best approaches and advise their clients accordingly (Refinitiv's Wealth Management Report)[8].

The role of morals in investment

A sense of moral obligation is increasingly present in the financial decision-making process among new investors, particularly when it comes to sustainable practices. Clientele now want to be kept abreast of the impact their investments have in sustainable contexts.

As the younger generations cement their presence as serious investors, these issues are only going to become more pronounced. In fact, 39% of HNWIs younger than 40 and 43% of ultra-HNWIs claim they're likely to ask for an ESG score before making an investment decision (Capgemini)[9].

ESG technology assessment

Providing investment advice or opportunities with a sustainability focus is not as simple as it may seem, particularly when it comes to providing advanced ESG options. For this reason, wealth management firms may have to audit and update their technology to deliver the quality of service that clients expect. Otherwise, they will have to consider partnering with WealthTechs or similar organizations that are experienced in collecting and aggregating ESG data.

ESG scoring is an important part of sustainability investment, ensuring that clients can trust the validity of the claims. Transparency and education are two essential elements of this process, and will go a long way in ensuring that clients feel they can act on well-informed recommendations.

8 https://www.refinitiv.com/en/resources/special-report/getting-personal-in-wealth-management
9 https://www.capgemini.com/insights/research-library/top-trends-in-wealth-management-2022/

A backdrop of economic uncertainty

We're currently experiencing a period of economic uncertainty as a series of radical global events have threatened stability. Beginning with the COVID-19 pandemic, the situation has been further exacerbated by the Russian invasion of Ukraine, which has resulted – or at least sharply contributed to – a global rise in inflation. According to IMF forecasts, this is expected to continue in the foreseeable future (Credit Suisse's Global Wealth Report 2022)[10].

10 https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html

Post-pandemic economic impact

Inflation hasn't presented a major challenge for financial advisors in around 40 years, meaning many have never needed to guide their clients through it. Nonetheless, the economic impact of the pandemic sparked a knock-on effect that has culminated in soaring inflation, with Forrester reporting a 5.4% rise in the US consumer price index last year. That makes it the highest inflation rate in 13 years, and consumers are only expecting prices to keep rising (Forrester)[11].

Silicon Valley Bank and Credit Suisse

The fall of Silicon Valley Bank in March 2023 sent shockwaves around the world and can, in large part, be directly attributed to the higher, post-pandemic interest rates. The bank's dramatic increase in assets during the pandemic-related tech boom of 2021 coupled with risky business practices meant they were monitored by the Federal Reserve for over a year (The New York Times)[12]. However, this awareness wasn't enough for the bank to avoid disaster, with a fire sale triggering large-scale panic and investors and clients rushing to pull out. Shortly after, regulators ordered the bank to close.

The panic felt by Silicon Valley Bank's failure compounded what is mostly an entirely separate issue at Credit Suisse, leading to investors pulling out en masse from that organization too. Troubled by a series of scandals, the bank reported "material weaknesses" in its 2021 and 2022 financial reporting processes (Forbes)[13]. However, given Credit Suisse's global importance to the financial system, steps have been taken to keep it afloat, particularly a landmark deal with UBS.

The jury's still out on what these two events will mean going forward, but one thing is certain – they have added to the climate of uncertainty that financial institutions have to contend with.

11 https://www.forrester.com/report/predictions-2022-wealth-management/RES176444
12 https://www.nytimes.com/2023/03/19/business/economy/fed-silicon-valley-bank.html
13 https://www.forbes.com/sites/ariannajohnson/2023/03/16/whats-happening-with-credit-suisse-explained-embattled-bank-rattles-stock-market-as-banking-crisis-deepens/?sh=52745f635a2b

The make-or-break issue of trust

Outside of the events of March, 2023, the race to control the mass affluent market will not prove easy for any market competitor. Both digital and traditional entities will need to put serious thought into how they will earn client loyalty, particularly with the current problems of inflation. On a practical level, this will involve swift action in training advisors to be able to offer inflation-proof wealth management advice. However, there should also be strategic action taken to protect portfolios from the threat of inflation.

Overall, the success or failure of these actions will be make-or-break for client trust. If wealth management firms fail to navigate the challenges of inflation, clients will likely jump ship and opt for new wealth management services soon after.

Emerging economies are in line for a growth spike

Partly due to the challenges that developed countries are currently facing, emerging economies are expected to bridge the gap with accelerated growth in the next five years. With a predicted annual wealth growth of 13.1% in low-income countries and 10.4% in middle-income countries, there is a strong outlook for these economies. What's mo re, with a growth of only 4.2% predicted for high-income countries, the wealth gap between rich and poor nations is expected to lessen somewhat, with middle-income countries predicted to have a combined wealth share of 28% by 2026 (Credit Suisse's Global Wealth Report 2022)[14].

14 https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html

Continued cybersecurity concerns

With each new year, client concerns regarding cyber attacks and data security breaches grow, particularly as failures in this area are frequently featured in global news outlets (IMF)[15].

The challenge of compliance

Heavy investment in digital infrastructure and new touchpoints can lead to security complications.

For wealth management organizations, guarding against these complex data security pitfalls is not easy and can represent a barrier to progress. However, developing and implementing a robust cybersecurity framework that can handle digital advancements over time is essential. In short, clients must be confident that their data, investments, and conversations with advisors are always protected to continue placing their trust in a firm.

15 https://www.imf.org/en/Blogs/Articles/2023/03/02/mounting-cyber-threats-mean-financial-firms-urgently-need-better-safeguards

A greater emphasis on compliance

The difficulty surrounding compliance with regard to the storage of communications has often taken a backseat to assuring client convenience. Popular messaging apps such as Facebook Messenger and WhatsApp, while not compliant, are commonly used among wealth advisors.

However, regulators are taking a more hardline approach to compliance, with record fines being issued. While fines above $200 million were usually reserved for cases of fraud, eleven of the world's largest banks and brokerage firms were ordered to collectively pay $1.8 billion in fines due to regulatory shortcomings (Wall Street Journal)[16]. Given this trend, the imperative is on firms to become more proactive in adhering to compliance regulations.

The important role integrations play

Although a stronger emphasis on compliance is essential, it cannot come at the expense of convenience. To overcome this challenge, wealth management firms can integrate popular messaging platforms into a secure, omnichannel environment. Beyond ensuring convenience, compliance, and data security, these integrations can enhance the overall experience as it's easier to move seamlessly across channels.

Placing security front and center

Given the increased attention from regulators and client concerns regarding the security of their data, wealth management firms in 2023 should consider putting security at the forefront of their strategic initiatives. While convenience is essential for ongoing success in today's context, it should never come at the expense of increased risk due to inadequate security policies.

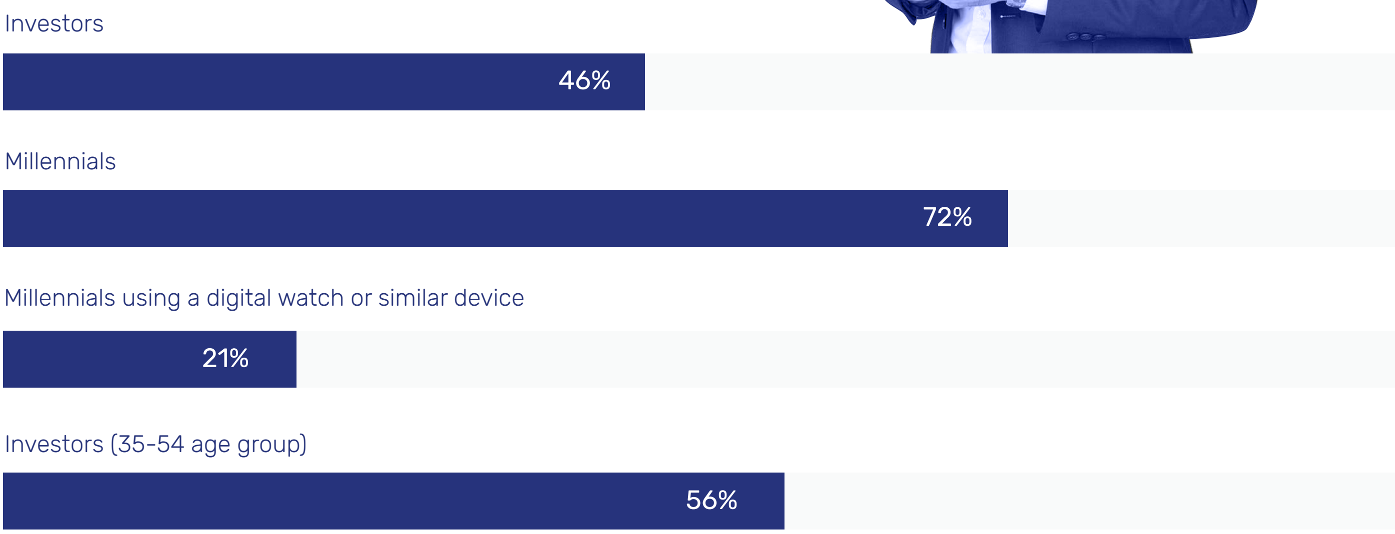
16 https://www.wsj.com/articles/wall-street-to-pay-1-8-billion-in-fines-over-traders-use-of-banned-messaging-apps-11664311392

Upcoming mobile ubiquity

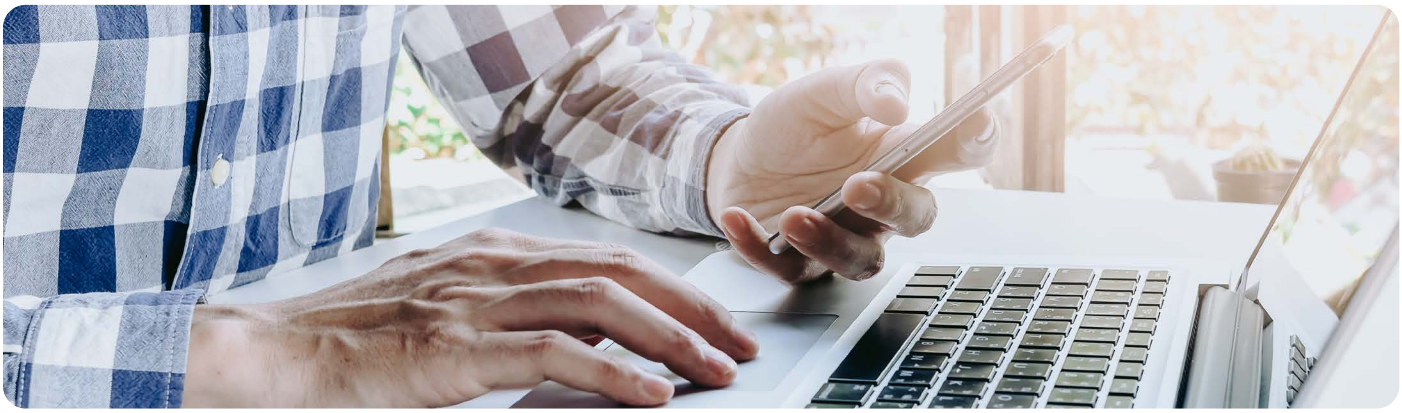
Mobile financial applications have moved from a nice-to-have complement to becoming a primary resource for investors, where they can view their portfolio information, gain real-time insights, use trading tools, keep track of tax documentation, and more. In fact, 46% of investors claim they use their mobile app to access their account information. When you only consider millennials – the generation coming into their wealth – this rises to 72%, with 21% also using a digital watch or similar device. In the 35–54 age group, there's also an above average use of mobile devices for financial activity, with 56% claiming to use one regularly (Refinitiv's Wealth Management Report)[17].

As generational wealth is passed to younger age groups, we can only expect the role mobile play to grow and firms that don't offer this service will likely struggle to retain younger clients.

Use of mobile apps and devices for financial activities:

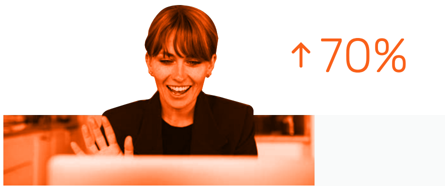


17 https://www.refinitiv.com/en/resources/special-report/getting-personal-in-wealth-management



Frictionless onboarding

Client onboarding is an important moment in the relationship and failure to provide a seamless experience can result in unwanted abandonment. In fact, over 70% of an Accenture survey's respondents stated that they expect next-level CRMs, advanced onboarding and cloud technology to reshape the industry (Accenture's Wealth investments and advice in Europe)[18].



70%+ expect advanced CRMs, onboarding, and cloud technology to reshape the industry (Accenture)

The obstacles to onboarding

In a wealth management context, the onboarding experience can be disjointed in many firms. Considering the amount of personal and legal data that is often necessary, it can take weeks to complete even with integrated workflow solutions.

As this is the first point of contact that a client will have with their manager, long delays can lead to poor first impressions. It is unsurprising then that 95% of wealth advisors from a Deloitte survey singled out an increase in onboarding automation as an aim for the future (Deloitte)[19].

AI as a client onboarding tool

Artificial Intelligence (AI) is proving useful as a means of innovating the onboarding process, with its intelligent automation capabilities drastically speeding up how long it takes. AI and digital capabilities can be used for everything from prospecting to identity verification, KYC, AML and due diligence checks, while also allowing agents to archive documents or get digital signatures. The use of AI will undoubtedly streamline the client onboarding process, resulting in a faster, more precise experience that reduces costs.

18 https://www.pimfa.co.uk/wealth-investments-and-advice-in-europe-accenture-report-in-collaboration-with-pimfa/
19 https://www2.deloitte.com/ch/en/pages/financial-services/solutions/next-level-client-onboarding-in-wealth-management.html

Is remote work here to stay?

The push and pull of remote work continues to influence the future of the wealth management industry, as it is with most others. While the furore surrounding the 2020 pandemic led to unprecedented levels of working from home, the easing of restrictions led to many returning to offices around the world.

However, remote work is here to stay to a greater or lesser extent, and accepting or embracing this reality is important for firms–especially with regard to efficiency, compliance, and securing talent.

Employee preferences for hybrid work

The simple fact is that the majority of financial services professionals want remote work and over 60% claim that an inflexible approach would influence their decision to stay at a company. To retain top talent, firms must integrate hybrid work (if not full remote options) into their company policies (Gartner)[20]. Unsurprisingly, this raises logistical issues as managing a distributed workforce requires a new leadership style than traditional office contexts.

Every organization will need to find what works for them, but delegation that facilitates remote decision-making is undoubtedly a key element.

Compliance in a remote world

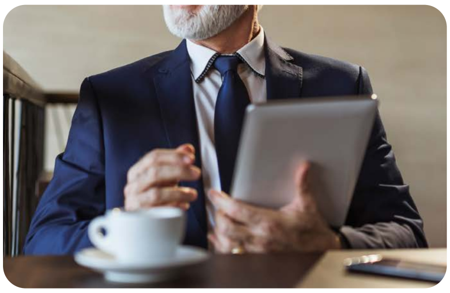
As with remote client-advisor relationships, having a more distributed workforce leads to regulatory compliance challenges. In response to the uptake in individuals working remotely, the UK's Financial Conduct Authority established new requirements. With these changes, firms must be able to prove that control mechanisms are still functioning even in a remote context (FCA)[21].

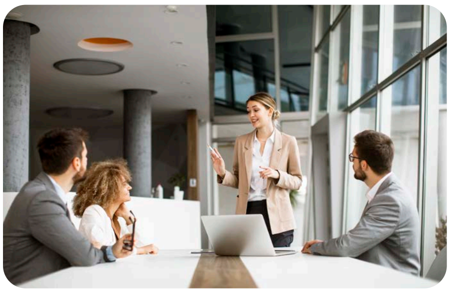
Adhering to these requirements will involve innovation in internal processes and practices to allow remote work to continue. In many cases, this will require specific expertise and the implementation of new technologies to ensure that internal auditing processes are in place.

20 https://blogs.gartner.com/daniel-thomas/2021/11/15/how-to-make-hybrid-work-successful-in-financial-services/
21 https://www.fca.org.uk/firms/remote-hybrid-working-expectations

The workforce continues to evolve

There will be an increased emphasis on upskilling and reskilling as the demographics and preferences of clients shift. From ESG and digital skills to better training in explaining complex products, advisors need new sets of skills compared to even just a few years ago. Against a background of broader social shifts, including in employment, organizational structures, and of course new working arrangements, wealth management professionals need to seriously consider how to secure their place in the evolving landscape (Accenture's Wealth investments and advice in Europe)[22].





The workforce of the future

The demand is high for young, agile professionals who are able to actively prospect new clients and provide sound advice on a broader spectrum of products, including crypto, digital assets, and similar. Alongside this, they should have an interest and understanding of ESG-related issues and are able to convey new opportunities in a manner that inspires trust (Accenture's Wealth investments and advice in Europe)[23]. As the aging generation of financial advisors begin to retire, there's an increasing opportunity for HR professionals to update their workforce and bring in new talent.

Strengths-based strategies

A large number of traditional advisors have found it difficult to adapt to the new technologies that are set to define the wealth management industry moving forward (Deloitte)[24]. Capitalizing on the potential currently present in the sector will involve adopting a strengths-based approach. Instead of focusing solely on experience, the firms that get ahead will focus on individuals with strong growth mindsets to cultivate a workplace culture that embraces change.

Give millennials room to shine

Millennials are taking over their parents' generations to occupy key positions in organizations, and this should be encouraged. Their relative youth – and digital savvy – is complemented by years of professional experience, allowing them to bring fresh perspectives and ideas to the table. Individuals who show potential should be nurtured and challenged as this group will ultimately define the direction of forms in years to come.

22 https://www.pimfa.co.uk/wealth-investments-and-advice-in-europe-accenture-report-in-collaboration-with-pimfa/
23 https://www.pimfa.co.uk/wealth-investments-and-advice-in-europe-accenture-report-in-collaboration-with-pimfa/
24 https://www2.deloitte.com/us/en/pages/consulting/articles/ten-disruptive-trends-in-wealth-management.html

Part 2: Opportunities in the Wealth Space

Embracing a changing industry

In just a few short years, the financial services landscape has changed dramatically (Forrester)[25]. Internal and external forces are driving transformation, with many post-pandemic factors such as increased digitalization and new ways of working accounting for this sudden movement.

Beyond being present to capture emerging market opportunities, the trend toward digitalization and innovative solutions is taking place in response to a shift in client preferences across the board.

In every context, around 50% of investors are at least comfortable with the idea of using video software to get financial advice. This number has doubled since 2019 and highlights wealth management firms' necessity to innovate to retain their current market segment, nevermind capturing new ones (Boring Money)[26].

The fact that change is happening is no surprise to anyone, but what does this mean for firms in 2023?

50% of investors are comfortable with the idea of using video software to get financial advice

25 https://www.forrester.com/report/predictions-2022-wealth-management/RES176444?ref_search=3476076_1645803736468
26 https://www.ft.com/content/ee01a83b-a1b8-4ff0-9702-91524649d539

The mass affluent market remains up for grabs

As was the case in 2022, the emerging mass affluent market continues to represent a competitive space containing a broad range of investors. At the lower end of the spectrum, digital startups and robo-advisory players are winning out against larger, more established wealth management firms. For example, while Goldman Sachs has a well performing wealth management division, the bank is struggling to compete with more innovative actors to capture mass affluent audiences' attention (Institutional Investor)[27].

The trends aren't working entirely against incumbent institutions, however. Robo-advisory players, while solidifying their presence, are far from taking a leading role within the market. Reports suggest that they will represent just a small proportion of the total assets under management, meaning that control of the mass affluent market is within anyone's grasp (Statista)[28].

New partnerships and acquisitions

For years now, the financial industry has had to contend with innovative fintech companies claiming a substantial market share. In a retail banking or even a private banking context, these outsiders have become a stable part of the landscape.

In a wealth management environment, however, a more tumultuous picture is being painted. The cryptocurrency shakeout has meant the fall for innovative incomers has been just as quick as their rise. Robinhood has lost out on a huge market share, having fallen by two thirds since it went public. Customers have left in droves and the trading volume continues to spiral downwards. Whereas the platform was once a crypto-trading paradise, with half of their $451M trading revenue coming from it, now crypto only accounts for $58M.

It's a similar story for Freetrade, another commission-free trading app that is struggling to maintain market dominance.

As these short-lived powerhouses crumble, traditional firms are likely to add them (or similar competitors with strong growth potential) to their portfolio in an effort to target a younger, more digitally aware audience that values strong customer service and broader wealth management solutions. In short, new partnerships or acquisitions between traditional incumbents and new players is likely to define 2023 (Forrester's 2023 Predictions in Wealth Management)[29].

27 https://www.institutionalinvestor.com/article/b1x2lxtq1p9832/Can-Goldman-Sachs-Straddle-Wall-Street-and-Main-Street
28 https://www.statista.com/forecasts/1262614/robo-advisors-managing-assets-worldwide
29 https://www.forrester.com/blogs/predictions-2023-wealth-management/

Recent acquisitions and partnerships

When looking at some of the largest firms, we can already see a trend of acquisitions taking place. In an effort to embrace the emerging mass affluent market, UBS acquired the platform Wealthfront, which is aimed mostly at millennial and Gen Z investors. Charles Schwab has made a similar move, having bought the fintech and data science company Motif. Likewise, JPMorgan Chase acquired OpenInvest to drive their ESG capabilities, alongside startups Nutmeg and 55ip. As a new breed of investors take control of the global wealth, acquisitions like these are becoming more important for survival.

The same is true for partnerships, which will perform a similar function as the acquisitions we see taking place. Success will depend upon being able to partner with wealthtech providers who are able to bring a high level of digital and tech expertise to the fold in a cost-effective manner.

A new breed of investors

The ability to invest was once clearly defined by age or wealth. Now, however, this is changing as client demographics change and a stronger mainstream market emerges. For wealth management firms, this means contending with younger generations of investors who may have different mindsets, values, and expectations when compared to their parents. According to Deloitte, these new investors will likely be characterized by their individualistic tendencies, remaining skeptical of risk while questioning traditional practices or authorities (Deloitte)[30].

Emerging mainstream investors

Mainstream investors continue to breach through traditional barriers as digital channels democratize the opportunities. With a greater number of increasingly diverse clientele, wealth management firms are being forced to make changes or risk losing market share. For example, the past five years have seen startups move into the wealth sector, taking advantage of this emerging market of mainstream investors. While, until recently, traditional advisory services were closed to all except very wealthy investors or commercial entities, innovative digital investment solutions were open to all (Deloitte)[31].

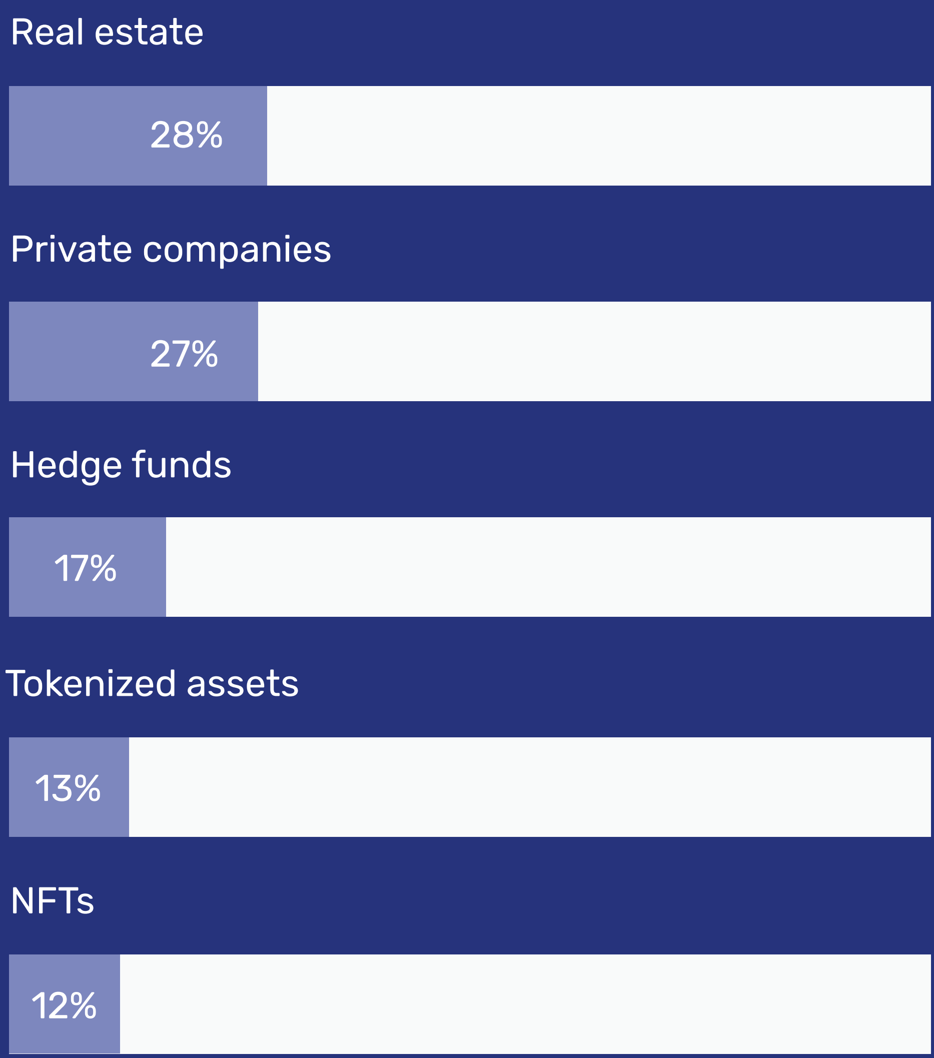
Tapping into willing investors

During the global pandemic, there was a rise in investors as commission free trading and a strong stock market encouraged a wider pool of individuals to invest. However, the S&P fell sharply a few years later, and many of these new investors pulled out after suffering losses.

However, this trend shows a willingness for small-scale investors to get involved if the right conditions and information is available to them, and there's no reason this trend can't continue as the stock market recovers. In 2023, it's likely that more established firms will be able to win over this same market and compete with contemporary wealth service providers. With highly trained staff and professional investment guidance capabilities, these novice investors can be attracted back and supported as they become profitable customers over time (Forrester's 2023 Predictions in Wealth Management)[32].

30 https://www2.deloitte.com/content/dam/Deloitte/us/Documents/strategy/us-cons-disruptors-in-wealth-mgmt-final.pdf
31 https://www2.deloitte.com/us/en/pages/financial-services/articles/digital-disruption-in-wealth-management0.html
32 https://www.forrester.com/blogs/predictions-2023-wealth-management/

Investors today are interested in:



49%

of women who are online in the US invest

60%

of men who are online in the US invest

Redressing wealth management's underserved female segment

The last decade has seen a sharp rise in the combined wealth controlled by women, with the Boston Consulting Group (BCG) estimating that 32% of the world's wealth is currently in female hands. Furthermore, UBS's Women's Wealth 2030 predicts that this will rise at a compound annual growth rate of 5.7% to reach a total of 97 trillion US dollars by 2024.

However, despite their sizable share of global wealth, only 49% of women in the US, who are online, invest – compared to a total of 60% of men. Out of those female investors, there's a tendency to have fewer and less varied investments in their portfolios when compared to their male counterparts.

Much of this can be attributed to the design of wealth management firms' products, services, and marketing initiatives, which are often targeted exclusively at men. Given current female power and its predicted rise, only targeting men represents a serious missed opportunity for wealth management firms (Forrester's Design Solutions to Attract Female Investors)[33].

Alternative investments

While ESG and cryptocurrencies are popular among investors today, a Refinitiv's Wealth Management Report survey shows that there are many alternative investment options still in play. Out of the survey respondents, 28% claimed they were interested in real estate, 27% in private companies, 17% in hedge funds, 13% in tokenized assets and 12% in NFTs.

Overall, there appears to be a rise in interest in both traditional asset classes and the newer ones, likely due to the potential gains the latter represent.

Safer investments

Finally, there's still space in the industry for safer investment options such as bonds, defensive stocks, and a strong outlook for emerging markets as we see a quicker easing of global inflation than expected. In fact, we can expect to see interest in these areas rise as slow growth, lower inflation, and new fiscal policies are introduced in 2023 (Morgan Stanley)[34].

32% of the world's wealth is currently in female hands

33 https://www.forrester.com/blogs/design-solutions-to-attract-female-investors/
34 https://www.morganstanley.com/ideas/global-investment-strategy-outlook-2023

Opportunities in social media

The rise of retail investors is continuing to cause a stir in the historically traditional wealth management sector, with quality digital capabilities representing the standout factor many look for when selecting a provider. Where once there were quarterly meetings held in physical conference rooms, now incoming retail investors expect video calls, an interactive portfolio management app, and news (Refinitiv's Wealth Management Report)[35].

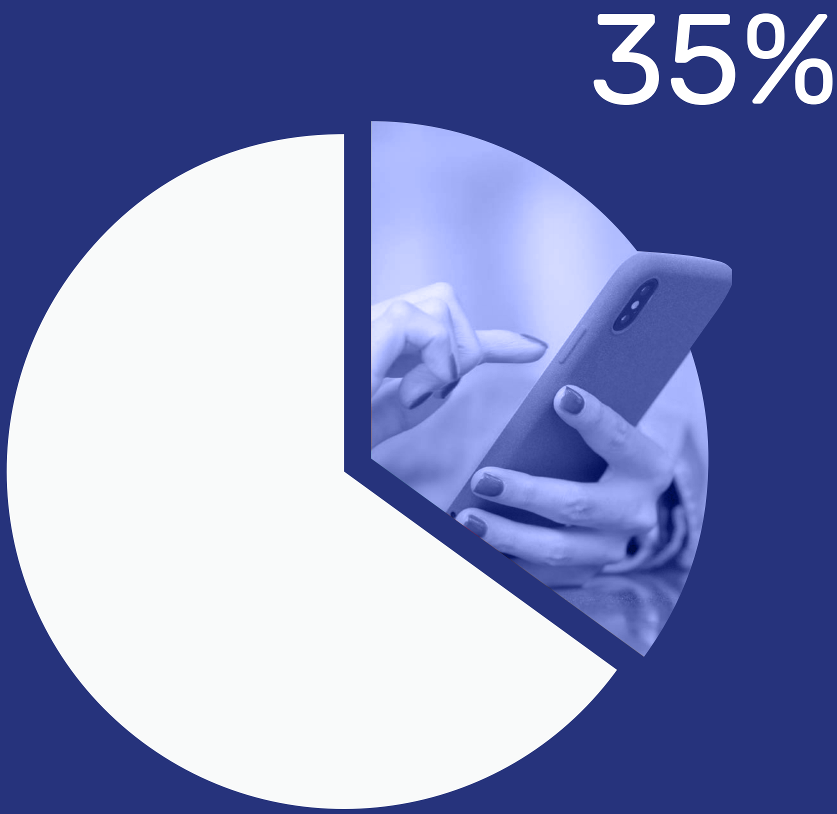
Social media is also set to play an important role in ongoing investment best practices and forward-looking firms can take advantage of these platforms. In fact, 35% of millennials claim that they see social media as their most reliable source of investment advice – almost tying in importance with a human advisor, with a total of 38% choosing this method. For firms looking to capitalize on this changing context, social media could represent a key opportunity for building trust among prospects to drive conversions.

The same is true for cementing loyalty among current clients. The information that online content creators share on social media has grown substantially, with Coalition Greenwich finding that nearly 40% of North American investors claim that their advisor's social media presence was important to their overall relationship.

However, this is in sharp contrast to the older generations which are reluctant or unaware of the presence of financial social media. Only 4% of investors aged 55 or more use social media as a source of information (Refinitiv's Wealth Management Report)[36].

For wealth management firms, the future does appear to lie in social media, or at least it should feature heavily in upcoming strategic endeavors. Traditional channels are and will remain important for most investment firms, however a rising number – 30% more than today – plan to use social media as a prospecting platform by 2025 (Accenture's Wealth investments and advice in Europe)[37].

35 https://www.refinitiv.com/en/resources/special-report/getting-personal-in-wealth-management
36 https://www.refinitiv.com/en/resources/special-report/getting-personal-in-wealth-management
37 https://www.pimfa.co.uk/wealth-investments-and-advice-in-europe-accenture-report-in-collaboration-with-pimfa/



35% of millennials see social media as their most reliable source of investment advice

Part 3: The Role of Customer Experience

Customer experience: The golden rule of service expectations

The traditional relationship between clients and wealth managers would often take place over a coffee, dinner, or other casual setting to discuss changes or developments in the investment portfolio. While in retail banking or other sectors entirely the shift to digital has been more pronounced, face-to-face wealth management meetings remained.

The resistance, however, was finally put to rest with the outbreak of the COVID-19 pandemic and since then more wealth management clients are embracing remote interactions. However, they still expect the same level of experience, whether online or in person. To provide the client-centric experience that ensures the best of human contact in a digital setting, wealth management firms need to invest in CX technology that's able to deliver.

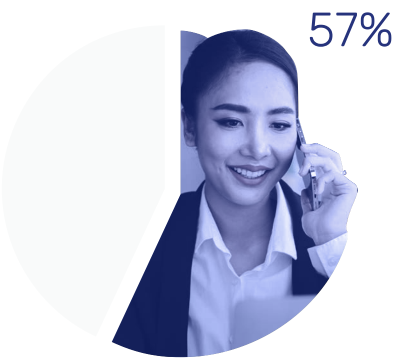
Beyond the technology itself, to maintain customer trust and satisfaction, firms will need to guarantee security, compliance, transparency, and train their advisors to leverage the tools properly. The firms that are able to achieve this cocktail of tech, compliance, and service quality will be set up to reap the benefits and solidify client relationships in a complex market.

The importance of human-tech hybrid interactions

Generational differences play a substantial role in preferences for digital service capabilities, with 34% of millennial and 35% of Gen X investors considering it an important factor when choosing a wealth management advisor.

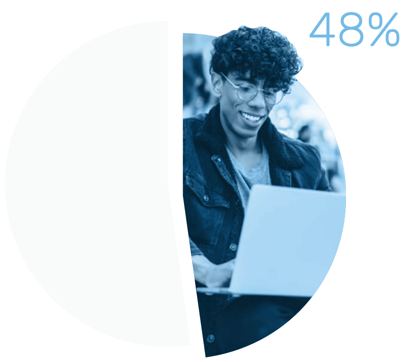
When we look at older generations, those aged 55 or more, this number drops to 16%, hinting that this area will become increasingly important as the wealth transfer continues to take place.

That said, technology is just one piece of the puzzle as many investors – across all regions and age demographics – do still appreciate traditional channels of remote communication. A reported 57% prefer phone calls, 49% prefer in-person meetings, and 48% would choose email. Beyond the specific channels, what this tells us is that human interaction is an essential component of the customer experience. While technology is on the rise, it cannot function as intended unless it also facilitates or allows for real, human interaction when necessary.

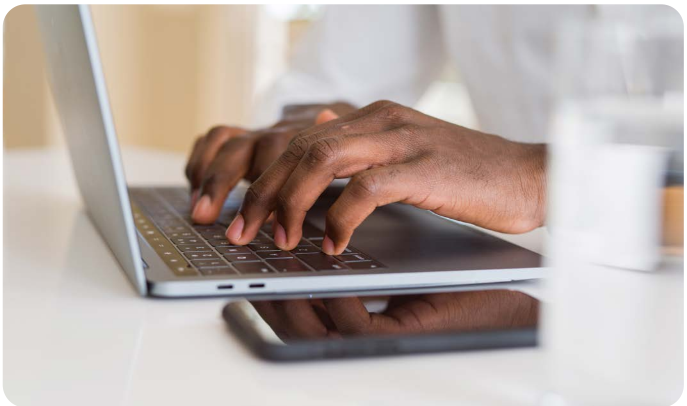


57% prefer phone calls

49% prefer in-person meetings



48% prefer email



Achieving a digital and human balance remains essential

In line with developing trends over the last decade or more, the shifting expectations of clients mean that a digital-first approach is still essential to retain ongoing loyalty. A remote, high-touch client-advisor relationship is now the norm and any firm that's unable to provide this will find it difficult to maintain their clientele. As in previous years, success in this area rests on their ability to balance automation and digitalization while retaining the authentic, human-focused element.

Providing advisors with the right tools

Advisors remain a vital part of the client experience as seasoned advice is a cornerstone of trust. However, advisors cannot be expected to perform in a vacuum or achieve the results expected of them without proper support. In short, if not already in place, a top-down strategic shift needs to be put into action that ensures digital tools augment human expertise, rather than replace it.

This leads us firmly to the hybrid model of client interaction that balances the best of tech capabilities and human knowledge. Beyond enhancing advisor potential, this model should be inherently flexible and adaptable, providing specific services across the wealth spectrum to ensure each client journey is unique and beneficial.

Client centricity for a simplified experience

As a rule of thumb, investors crave simplicity in their wealth management dealings, and are less patient with complex products or repetitive processes. A recent survey found that 30% want all of their investments – even those from other institutions – to be viewable from one place. The same percentage claimed that they also want easier access to their products and services, with 27% stating that having direct digital access to their advisor is important. Finally, 26% would like to receive news based on their specific investments and holdings (Refinitiv's Wealth Management Report)[38].

What's more, this trend towards personalization has become so important that 64% of millennials and 51% of investors aged 35-54 would pay more to receive personalized investment products and services (Refinitiv's Wealth Management Report)[39].

38 https://www.refinitiv.com/en/resources/special-report/getting-personal-in-wealth-management
39 https://www.refinitiv.com/en/resources/special-report/getting-personal-in-wealth-management

Conclusion

There's a temptation to see the trends in wealth management as more of the same.

It is true that many, such as increased digitalization and shifts in client expectations, have been in development for years now.

However, it's precisely because of these years of development that we're reaching a stage of maturity that calls for action. Embracing digital is just a piece of the overarching puzzle defined by widespread change.

Demographics are shifting as older generations pass the baton to new ones, heralding a new set of values, expectations, and interests. This is something that we've seen before, but never in this way as the natural progression of wealth-holders comes against a background of immense innovation and unprecedented change. The rise of tokenization, crypto currencies, the democratization of investment, and the general geopolitical and economic landscape act like a wrench in the works of traditional wealth management systems and relationships.

In 2023, firms must shake off the shackles of traditional approaches that are unlikely to continue bearing fruit in the way they have in the past. It is time to invest in the future, in terms of technology, talent, and mindset to capitalize on the large pool of clients with new values and expectations.

About Unblu

Unblu is a leading conversational engagement platform that's fine-tuned for the financial services industry. Centered around three pillars – texting, video & voice, and collaboration – we help retail banks, wealth management firms, and insurance companies to provide faster, more secure customer service experiences.

Founded in 2008 in Basel, Switzerland, Unblu has been part of the Swiss Post Group since 2022, with subsidiaries in Germany, Bulgaria, UK, USA, and Canada. Over the years, we've served 170+ banks and insurance companies, empowering them to lower costs, secure more meetings, and increase conversions.

With seamless integration capabilities and a 90-95% client satisfaction rate, Unblu enables the ultimate in-person experience for online customer collaboration and advisory. Any time. Anywhere. And on any device.

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