Building a Profitable Practice in the Digital Age

Thought Leader Roundtable

Seven thought leaders in the financial services profession presented their views in a roundtable discussion following the Financial Planning Association's National Conference in San Antonio in October 2012.

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Context / Setting

Following the Financial Planning Association's (FPA) National Conference in San Antonio in October 2012, seven thought leaders in the independent financial services profession presented their views in a roundtable discussion. The 60-minute conversation was a spirited debate. A frequent contributor to Financial Planning magazine and Financial-Planning.com, Marie Swift moderated the discussion.

This paper presents just a few of their important insights and observations. A series of AdvisorTV video interviews is available *at http://www.Financial-Planning.com /video*.

Participants at a Glance

1. Patrick Farrell, President and CEO, Investacorp, Inc.
2. Julie Littlechild, Founder and CEO, Advisor Impact, Inc.
3. Stephen Wershing, President and CEO, The Client Driven Practice™
4. John Blamphin, COO, Retirement Management Systems, Inc.
5. Tom Embrogno, EVP, Docupace Technologies, Inc.
6. Geoff Davey, co-founder and director, Finametrica Pty Limited
7. Eric Golberg, Vice President, Wealth Management, Loring Ward, Inc.
8. Marie Swift, President and CEO, Impact Communications, Inc.

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Key Question Posed

How can advisors build a profitable practice in the digital age? What are the big challenges and opportunities?

The Panel Replies

Patrick Farrell

Patrick Farrell, President and CEO, Investacorp, Inc.: Hearing your questions, Marie, reminds me how much has changed in our industry during my career. When I started in the business in 1985, there was no such thing as the "digital age." We had no email, Internet, smart phones or tablet technology. We wrote out trade tickets by hand, processed commissions manually and certainly used lots and lots of paper.

Independent broker-dealers and their advisors have faced many challenges and changes during the last few decades. These challenges have taken many shapes, such as: new regulation, tax reform, product permutations, technology shifts and changing consumer preferences. The good news is our industry is filled with many creative, entrepreneurial people who always seem to find a way to succeed, despite the headwinds.

As you know, I'm a CEO of a mid-size broker/dealer, and many of you here at this roundtable are technology professionals, so my perspective may be a bit different from some of the others here. I'll start by providing an overview from the 30,000-foot level.

"How do advisors build a profitable practice in the digital age?" I get this question on a regular basis from advisors at conferences and other meetings. And I always preface my answer with the statement that there are *no silver bullets or magical solutions* that will fit everyone's circumstances. That being said, there are several common ingredients and characteristics that all practices need to have if they're going to thrive.

Three Keys to Success

The first key to success is to surround yourself with the right staff—professionals who are able to work effectively as a cohesive team. Second, make sure you have deployed the right mix of technology. And, third, leverage your strategic relationships to the highest extent possible.

Let me start with a discussion of staff. When I started in the business, it was easy for a sole practitioner to run a practice without much assistance. Today we read many articles in the press as to whether or not sole practitioners can survive much longer. What has changed? Back in earlier days, if you were a sole practitioner, you were also the "chief-cook and bottle washer." Usually, you did your own paperwork, but if you were lucky enough to have a good sales assistant, you were golden. That's all you needed. The compliance standards back then were very light, and technology was very basic. But in today's digital era, a sole practitioner is challenged to a much higher extent. The paperwork, of course, is digital, and yet the workload has not decreased at all. The amount of time an advisor needs to spend on administrative matters has only ballooned. To thrive, you still need to focus on being the rainmaker, but you need more than just a sales assistant or two—you also need a fulltime technology guru, an operations manager and maybe a CFP to boot. It's not just the rainmaker that creates success, but an entire team that actually administers and manages the many necessary components of a contemporary practice. The team concept is equally critical in ensemble practices or partnership arrangements.

Now when it comes to technology deployment, we're talking about powerful tools that may be considered both a blessing and a curse. Technology provides us with freedom to do work anywhere we want: from the golf course, our kids' soccer game or from the beach. But it's also a bit of a ball-and-chain because when technology we depend on goes down, it threatens our business. And when we need new technology, the amount of time and effort we've got to put into doing the research and due diligence is considerable. It's a big deal for busy advisors.

The third key to success is for advisors to really leverage their strategic partners. I can tell you from running a broker/dealer, we have a great deal of technology available and many of our advisors won't take the time to properly understand all the tools at their fingertips. That's why we are constantly trying to make our technology team available via webinars, conferences and office visits.

We, at the broker/dealer home office, are tasked with educating our advisors about new technology that is constantly changing. In addition, every clearing firm in the business is rolling out more and more technology in waves. So advisors have a huge challenge and one of those is just understanding what's available to them today. So leveraging your strategic partnerships is vitally important and worth the investment of time and energy.

Into the Digital Realm

Stephen Wershing, President and CEO, The Client Driven Practice: Pat, you talked about the challenges of being in the digital world; there are also humongous opportunities that we never had before. When I started in the business, there was no worldwide web, and so if I wanted to get the word out about what I did and what kinds of solutions I brought, I had to pay for newsletters and mail them, or get out and meet people. The problem was I didn't know how to meet people. You had to work through people to meet the people that they knew or were meeting.

Steve Wershing

Well all of that we can do electronically now for practically no cost. For instance, we can use digital broadcast systems so that we don't have to pay to print and mail newsletters. If I generate content and put it on my blog, I can just build up a library, ever bigger, ever bigger, around a focused message. And if I want to find out who my clients can introduce me to, I can go onto LinkedIn and connect with people, request introductions, and so forth.

So there are these huge opportunities for finding people that we couldn't do before. Of course the flip side of that is a challenge too, because if I don't do that, my competition's doing it. And they can network far more effectively than I could before, so we've got to keep up with it.

John Blamphin, Chief Operating Officer, Retirement Management Systems, Inc.: I'll just reiterate the staff component that Pat mentioned. I think there's a lot of technology out there and obviously the advisor has a huge role to play in deciding which technology solutions to implement within his or her firm. But training the staff to use the technology appropriately is, I think, a big concern that we face every day. We have to manage the systems. And as you bring in different staff members to build your entire process, they have to learn new software and processes that were developed around that software.

John Blamphin

We can do so many different and wonderful things with technology, but that's a real challenge. Think back to when all we had to use were Microsoft Word and Excel and things like that; think about the amount of capability that's there with those programs. As you mentioned Pat, most advisors only use a fraction of what is available to them—probably only twenty to thirty percent. So I think there's a big opportunity with the technology that's out there, to move beyond the limited use and harness its full power. And then of course there's the training that goes into getting your staff up to speed with exactly how to do just that.

Of course, getting the right staff in place is important—people that are willing to do more than just the five steps that they're programmed to do on a daily basis. We also need our staff to take that technology, learn its total capability and really apply it within the practice. So it's employee training and it's picking the right people if you're going to use technology to its fullest.

Wershing: John, to your point, it's also important that we as the firm's leaders feel the need to keep up with technology ourselves because we're the ones who are responsible for the profit and loss in the business. But I've had the situation where the staff and some people aren't all that interested in keeping up with the technology.

We've struggled; I think that's a real management challenge. The younger people on my staff were like, "Yeah, new tool; that will be great," but then there are other people who said, "Look, I've done it this way for fifteen years, it's always worked. I don't see any real reason to change." And even if they will tell you in a meeting, "Yeah ok sure; I will try the new tool," what they are really thinking is "I'm just going to keep doing what I'm already doing."

That's a big challenge. I don't think I've ever successfully overcome it with some of the people who are on my staff.

Julie Littlechild, Founder and CEO, Advisor Impact, Inc.: We talk so much in the industry about technology as a key to success but you all mentioned process, which in my mind is probably just as important. When we at Advisor Impact talk to advisors about some of their challenges and what they want to improve, they tend to say: "I need better and more defined process in my business."

So, it's not technology for technology's sake that leads to success. What we really need to take a hard look at is finding a way to link what's meaningful and relevant to a client, to a process, to a technology, and to the people doing to work. We get so caught up in the bells and whistles, and every now and then you need to take it right back to this essential question: "How is this impacting the depth of the client relationship?"

Julie Littlechild, Tom Embrogno, Marie Swift

Socio-Technology Standpoint

Tom Embrogno, EVP, Docupace Technologies, Inc.: What you are saying here Julie is key. Docupace is a technology company, but what we've seen work in the last few years is this: bring everybody into the picture and make the technology *less visible*. Look at your core processes from a socio-technological standpoint. Start by identifying high volume processes where you can connect all parties in a transaction together using technology. The next step is to add people to the systems. Your processing platform should allow for granular segregation, tracking, workflow routing and reporting for each user or set of users. A firm's policies tie the technology and the people together.

Three to four years ago, most technology vendors serving the IBD market were lucky to get fifteen to twenty-five percent adoption—especially if it was a stand-alone piece of software merely endorsed by a broker/dealer or RIA. In the past year or so, we have seen adoption rates go through the roof. The cloud has helped bring the economic piece of the equation in line because of the math around sharing infrastructure. But I think the biggest driver has been bringing the advisor and their staff members into the workflow from a technology standpoint. Firms enjoying high adoption have used the cloud to break geographic barriers and connect the advisor to the supervisor to the back office electronically.

The client needs to be brought into the workflow too and, by the way, this is very rare today. But with the emergence of e-signatures, and with some of the NIGO resolution pieces (NIGO stands for "not in good order") that go from a back office to the representative all the way out to the client, we are now getting everybody involved. And everyone in the workflow is seeing less technology if they are doing it right. They are, for instance, using Wizards, which gives them what we call 'guardrails' around the systems. When done the right way, we've seen adoption rates go through the roof.

Highest and Best Use of Technology

Eric Golberg, Vice President, Wealth Management, Loring Ward, Inc.: I want to hit on something that Pat said about technology. We're being bombarded so much with technology, we may be getting to the point where we have a little bit of technology overload. There are always going to be people that focus on the wrong question: "What technology should I use?" When really the questions should be: "How can this technology help me in my relationships with my clients? Will it allow me to streamline my back office so that I can spend more time with my clients?" and "Will this allow me to spend more time developing relationships with other professionals?"

Eric Golberg, Marie Swift

At Loring Ward, we believe a great deal in outsourcing the non-essential elements of an advisor's practice, because really what the client is paying for is the advice of the advisor. That really should be the focus of the advisor's service, because that's what the clients want. So my best advice to the advisors reading this piece is to ask themselves: "Will this technology help me do a better job for my clients? If it is, then let me implement it." But I'm not a great believer in technology just for technology's sake.

Blamphin: I agree. Clients hire advisors to take something off of their plate. They either don't understand finance and don't want anything to do with it, or they want good advice from an advisor to supplement their own thinking. As a client, to be bogged down in paperwork and technology that arrives on your desktop that you don't understand, is just detrimental to the relationship.

Littlechild: There's a subtlety—and I'm interested in your opinion, because I'm not the expert on this. At Advisor Impact, we do work on a client engagement; our business is centered entirely on one question: "What's driving deep relationships?"

If I were to summarize a million or so data points, I'd say it's about connection, it's about leadership. It's about really getting the right fit with your client. Those things tend to be evergreen, as we look at it; what clients are looking for tends not to change, not by country that we look at, and not even that much over time. But I'm interested in the nuance of how all of that changes with technology.

So, how is "connection" impacted by social media? How is connection impacted by interacting with technology in a different way? If it's leadership, can advisors use technology to lead because of content dissemination? We've got these core elements, and the way we communicate seems to be changing. I'd love your perspectives on how technology will be used in that area.

Blending High-Tech and High-Touch

Farrell: I agree; digital communications do change the relationship a bit. Every advisor will need to find ways to balance the high-tech and the high-touch. You can't lose the high-touch experience with your best clients, because then you're really threatening your business. I think most of the really good advisors are using technology as an ancillary way to get information to the client, to allow the client to access content or statements or information.

Patrick Farrell

If an advisor is not, in person, speaking to an A client at least once a month, then technology can save that relationship. So it's really about balancing. If you deploy technology the right way it gives you more time to spend on the phone or in person with those A-clients. I think nothing can ever take the place of a direct conversation with a client.

I also think that technology can be used differently with C-clients. For example, you can create a continuum for different types of clients. For some clients, you won't have a physical conversation or a meeting nearly as often, and yet you can get them a lot of information using technology, using social media, in ways that will leverage your time, so that you're not having to spend that much time keeping the relationship alive.

I think that's the best way to balance technology with high-touch, so you can spend more time with your best clients and yet grow your book of business in a way that makes sense to your practice.

Wershing: Julie, something that you ask about in your surveys is the expectations of clients, and that is one of the things that changes in the digital age. What's interesting is that when we have more capabilities, we tend to have a broader range of expectations from our clients.

There are some clients that expect that you'll communicate with them by email, and they will expect a response within thirty seconds. We have to be really careful to make sure that we set those expectations right at the beginning. There are some folks that might get all excited about social media and email, but as Pat points out, we might have clients that don't want any of that. I just facilitated a client advisory board where we asked whether the firm should have a social media presence and communicate messages that way and the response was an emphatic NO! They like the phone call and the in-person meeting, and they don't want to get their information via social media.

One of the things, if we're going to succeed with this, is to make sure that we get those expectations set out on the table early. We might be excited about different kinds of technologies, but we need to know what the clients want, and how they want us to touch them; if they want an electronic touch, or a phone touch, or an in-person touch, and so forth, to maintain that relationship.

Using Business Personas

Embrogno: That makes a lot of sense, Steve. One of the things we've done at Docupace is to establish what we call "personas." because there are different types of advisors, different types of firms, and different types of clients. One firm's niche could be advisors that are also tax planners; another could be advisors that are placed in banks. Each has a different need and way of doing business and to best serve them, we need to try to deliver systems that handle the nuances of each. And this may seem small, but it's the small things that separate firms and advisors as they compete.

Tom Embrogno

They say there are all kinds and it's no different in financial services. Advisors range from what I would call the "the stubby pencil guys" to a highly technical person—a Steve Jobs type. Both are highly successful but who is doing it the right way? Who are we to tell a producer with several hundred million of AUM that he could be doing better if he changed how he did business?

A firm that identifies and understands its constituents can then select the best technology stack that will work across the entire advisor base. Advisors aren't shy and will tell you what they like and don't like. Get them involved a bit earlier in the design process or when contemplating new systems. Besides their buy-in, you'll have excellent input for driving the features and functions of the system. At the end of the day, we've found that it was relatively easy to identify types of users and create specific groups, roles and channels in order to serve them best. This process requires the right amount of technology to make it as easy as possible to do business.

Market Changes / Consumer Demands

Geoff Davey, Co-founder and Director, FinaMetrica: From a FinaMetrica perspective, but more from my twenty years as a planner: We launched FinaMetrica in October of 1998 and we had a decision to make. Did we do a PC version or not? We decided, no, we would do a web version.

Some said we were forward thinking; some said we were short on cash; it doesn't matter. Advisors that wanted to use our system from day one had to go onto the Internet. And this is back when 32 Kbps was a fast connection speed—and it was exciting when it got to 64 Kbps. We set it up so that clients went online to complete their profiles, and in those days a lot of advisors used hard copies. Today, we integrate with other technology solutions providers and we do all sorts of stuff, and we think that's just a given.

Geoff Davey

My old firm started doing financial planning in Australia in 1975 when I was 30. At the time we thought we had invented financial planning because we were not aware of anyone else who was doing it.

What would I do today if I were 30? I think there are two ways of looking at the situation. One is: how do I use the digital age to make my current business better? The other is: what does the digital age present in terms of an opportunity to do business? That's really the one that I want to talk about, how does the digital age create an opportunity to do business, because I think that's the really exciting thing.

Here's why: Until now, financial planning has basically been for old rich people. It is a high-cost business model, and even with all the improvements it is still a high-cost business model. The digital age gives us the opportunity to develop a low-cost business model, and a low-cost business model where you have an entity that provides services, digitally over the Internet, and the advisor supports the entity—not the entity supporting the advisor.

The model of the advisor sitting across a desk from a client, as far as I'm concerned, is history. It just is not going to work that way anymore for the bulk of the population. How many people go to a travel agent nowadays? No one. Unless you've got a lot of money and you want a special trip, then you go to the Internet.

The middle market is not being well served; young people are not being served. It's an enormous opportunity, so that's number one. I would be looking at it completely differently.

The other way I would look at it differently is, I don't know anybody who wants financial planning. I don't think I've ever had a client come in the door and say, "I want a financial planner."

They came in because they had a problem. Their general theme was, "I want some help managing my financial affairs," and it could be any one of a number of things.

The way I would think about it if I was starting out today is, given my skills and the skills of the other people I work with, plus the skills we could acquire, what consumer needs out there might we be able to fill?

And I would be looking at, what does the market need? Precisely, what do they want? And I'd be looking to deliver to that. That's how I would define my business, and I would certainly be aiming at Gen X's and Gen Y's. I might be too old to do that now, but if I was 30 today, that's what I'd do, because these younger generations are not being serviced at all, period.

When I was in practice, we used to take (as clients) new graduates out of universities and, as a result, we had people who were clients for 30 years; they didn't make a financial decision of any sort without asking us. Now, you can build the same model, digitally.

The beauty of it today is social media; in the old days, the only way you got a referral was a client knew somebody else who told them about you. It still works that way—people telling people—but it might be solely driven by social media and online communications now. There's a huge connection opportunity out there.

So that's what I'd be doing in a digital age. I'd be saying, "I'm going to have a new sort of business because the digital age has changed the marketplace, not so much because it's changed how I can do things, but it's changed the marketplace, it's changed the wants. I can find opportunities to service these people that never existed before."

Wershing: Geoff, I'll respond to one of the last things you said: the referrals are still mostly people introducing people to other folks, but the way they come up is different. One of the things that's critical for advisors to remember now is that the way people respond to that referral is very different. It used to be that if you told me about somebody, I might call him up and find out a little bit about him. Now, I'm going to Google him, and especially in the high income brackets that happens even more. Recognizing that you need to have a digital persona, to have a digital presence is that much more critical because, while it's still a person telling a friend, how they respond to it and start looking into it is very different than it used to be.

Davey: I guess what I'm saying is, you used to go to a travel agent, and now you go to an online service such as Travelocity or TripWise. I see it as a real paradox shift. People with existing practices, with existing client bases, need to keep doing more or less the same sort of thing, and doing it better, smarter, cheaper, etcetera. But if you wanted to start off fresh today as an advisory firm, I think there are enormous opportunities. Now you might fall flat on your face, and the first people who try probably will, but it will be exciting. And if you're young enough, you'll likely get a second chance.

Positioning for New Market Opportunities

Blamphin: I think there are some interesting parallels here related to the practice I run for Retirement Management Systems. As a third-party asset manager, we work specifically with advisors who want to advise on—and be paid for—working with individual 401(k), 403(b), 457, and other qualified retirement plan account holders. We provide advisors with a turnkey, outsourced management service, where that advisor can help their clients specifically manage the assets in the employer's plan.

A lot of the advisors who are signing up to use our services right now have an established book of business. They have been in the practice for a while. They know how to go out and work their community. They're getting all the referrals they need. They will sign up for our service a decent number of their existing clients, mainly as a way to provide holistic service.

Other advisors, who are perhaps younger and don't have that existing book of business yet, are looking for ways to serve a younger or different market. They are looking for innovative and tech-leveraged ways to build a book of business, and our service allows them to do that through the use of digital-age technologies.

But I think you're right, technology can open up new market opportunities for advisors. Advisors are unfortunately still following the money, so young people don't quite have the account balances an established advisor necessarily wants to see now. But ultimately they will, and the advisor who has been there all along, helping the client with their retirement savings plan money, will be in position as the advisor of choice when that lump-sum rollover happens. The technology and the business model all relate to where the advisor is in his practice level.

Davey: I think what happens is that by the time the young people get to having enough money that today's advisor would service them, they won't want to use that advisor. They will have a completely different way of getting satisfied. I think the 401(k) market, the retirement savings market, is about to explode, because, John, to your point, you can service five thousand blue-collar workers electronically with smart technology with the same amount of effort as you can service two hundred traditional executive clients; the clip is smaller but there's a lot more on the clip.

I think mass market's a big opportunity in a digital age. There's a problem with the way most advisors are doing their business models at the moment. They won't work for the mass market, the younger market, or a blue-collar worker. There isn't a business that can service my kids, not in Australia, anyway. I've got a Gen Y and a Gen X "kid" and they don't have enough money for the traditional advisory model.

Littlechild: Geoff, I think you're asking a different question but an interesting one, and that's not, "How do we do the same things faster and better?" but, "How do we do things differently?" Back to one of your initial comments about face-to-face, which I tend to agree is the dominant form, and yet I find even as I'm saying that I don't want to sound like one of those people who says, "Well it's always going to be like this."

We are communicating differently now, and I have little concern for the 27-year-old advisor because they will probably naturally do this. I have little concern for the 55-year-old advisor because they will be okay given the traction they've already got. But when they are forty and forty-five, just stuck right in the middle age-wise in growing their business, well, they have to bring younger people in; otherwise they risk running out of clients, frankly, while they're still trying to serve. We are in this schizophrenic type of place, and it is a challenge. But I do believe we are communicating differently and somehow technology needs to tap into it.

Why Should I Hire You?

Golberg: At the end of the day, the advisor has to answer these questions from his potential client: "Why should I hire you, specifically?" and, "What do you know about my situation?" Let's say the prospective client is a doctor; he'll likely ask: "Do you work with a lot of doctors?"

Advisors need to think about this. Would that be important to somebody who's a prospect? I know Steve Wershing, who is here today at the roundtable, has written a lot about niches, and niches aren't necessarily, "I handle people who have over $5 million." A $5 million doctor and a $5 million football player don't have any commonality except the $5 million. But does the advisor have any kind of experience or expertise in a certain area that he can bring into the equation?

I think by using a focused niche marketing strategy, advisors will be able to use technology to their advantage and make that relationship a little bit better. But at the end of the day, we all have to answer that primary question: "Why would a prospect want to hire me? What do I bring to the table?" Answer those questions first.


Steve Wershing

Wershing: Eric, there are two interesting things that come out of that. One is the opportunity to reinforce that expertise, to define it and then repeat it over and over again. But like you pointed out, the scope of those communications are way broader, and it used to be that we could only handle clients in our own geographic area. Just like you said, one of the things that you can profit from by being in the digital age is that there are now ways through solutions such as Tom Embrogno's Docupace technology so that you could have a client that's 1500 miles away, and it's not necessarily a big deal. As long as you've got the systems put together to leverage the technology, you can synthetically create that touch.

Technology Creating New Niches

Farrell: I think what everyone is saying is that technology is actually going to create some new niches that didn't exist before, because it allows for it to take place.

I see some of this taking place just generationally; there is a generational difference between what younger people and older people are comfortable with. I see it in my own household. My daughter wants to text friends, and wants to speak to them on the phone less. As a matter of fact, I have to say, "Listen. I want you to call your grandmother and talk to her on the phone." She says, "Dad, I'm just going to text her." I say, "Grandma doesn't want you to text her. She actually wants to hear your voice, and speak to you." [laughter] And really that's where we are at as a business too.

The younger generation is much more comfortable interacting through social media, email, webinars, text, and so forth, electronically. It's a comfort zone for them. Whereas the older generation may have a certain comfort zone, because that's how they keep in touch with their grandkids, and yet they still want that face-to-face with them. So we're going to see all of these niches develop over time, but the niches will get bigger because technology has allowed for that.

Patrick Farrell

Blamphin: I think the key there, the central component, is that clients want a relationship with an advisor. They don't care how they communicate, some people will use email, Skype and everything else available, and other people will still want to sit down face-to-face. But they still want that consistent advisor that they are going to work with. And that's how we distinguish ourselves at Retirement Management Systems, is to always keep that advisor in the mix—instead of going totally computer-based-model-generation, signing-up clients electronically and then throwing someone into a model just to manage their money.

Some online investment companies are doing this low-touch model now, and while they can get a huge volume of accounts on deck now, I wonder how long the clients will hold in there without an advisor at the center. I don't think the relationship that clients want is ever going to go away. I think they will always want to have that personal relationship with a financial advisor.

Client-Centered Approach

Embrogno: We agree that the relationship is key, however, an advisor's client is not typically integrated into the process. Taking a client centric approach requires deploying a distributed platform that provides a secure infrastructure so that we can extend technology to all parties. Extending back office workflow processes to the client makes things more transparent. . If you can tie the client, the advisor and their staff into the workflow, there's more safety, transparency and everybody has more confidence.

Wershing: Tom, you bring up a good point. And John, I'll agree that the relationship is never going to go away, but the relationship is going to change because of the new capabilities. And Pat, back to what you were talking about in terms of the differences between generations, that's so true.

One of the things that we have to juggle now is people's expectations. People could have different expectations than they did before, when all we did was call or meet with them. We knew that the relationship was going to be based on phone calls and meetings. But now you have all kinds of different ways that they can be included in the process, all kinds of different ways that they can be interacted with.

What we have to deal with is that sets up people's expectations. So, Pat, to extend your example, my daughter's voicemail is full, and she will not delete messages. So if I call her and I want to leave a message, I'm out of luck. She says, "I want you to text me." Well, there are times when that's not very effective. I don't want to type that much. She says, "I'm not going to empty the voicemail, Dad. If you want to get to me, you're going to have to text me." And although I don't think our clients would ever be that obstinate about it, there are those expectations. They are going to gravitate towards the advisor that gives them the relationship the way they want it. For us, that's a challenge; because now they've got the Baskin Robbins that they can choose from, where before it was really just one or two ways they could choose from.

Client Discovery Process is Key

Golberg: Steve, I think you hit on a key point. Do we know how our clients prefer to work with us? It's good to ask. Maybe Client A likes email but you want a phone call all the time. Do we assume all the time that the client wants to come in for a face-to-face meeting? Maybe the client says, "You know, I'm really okay. I've met you, if we can do a webinar or Skype meeting a couple times, that's fine with me. I'm very comfortable with that."

I think it comes back to: What is our client discovery like? We spend so much time on the clients' financial concerns, but do we really know how they prefer to communicate? Or are we projecting our own preferences upon our clients? Eventually that is not going to work really well.

Wershing: That is exactly what I was getting at. I remember one of the presenters at FPA Business Solutions 2011 encouraging advisors to get expectations out on the table as part of that intake process, and how much more important that is now than it was before.

Littlechild: And not just at the intake, but it needs to be an ongoing conversation because, as we know, things change. I'm biased of course because I have a client feedback service; we strongly believe that advisors are wise to check in with their clients and through a formal feedback system every year or two, and of course informally at logical points in between the formal process.

Davey: Just to be difficult, I want to challenge the statement that the client wants an advisor. I think that's an assumption that is not going to stand up for a lot of people. Why do they want another personal relationship?

To give you a small example, I travel quite a lot, and I use local mobile phones. And one of the things I hate is having to top off my account (add more money to a pre-paid phone), because whenever I try to do it online with a credit card, it won't accept a foreign credit card. Then, when I ring the call center, I get somebody that I don't understand. There's this terrible communication problem, and I've got to go through the menu.

But here's how technology can help. I was in London this time last year, and I'd run out of credit on my SIM card so I didn't even bother trying the website. I rang, with trepidation, the call center. I got a completely artificial response from a beautifully spoken English woman. It was very difficult to tell that it wasn't a person. "She" handled everything brilliantly. I would never use anybody else but Orange because of that service—better than I would get on a call center to a human being. And that's what I think is coming.

If you want to organize a mortgage, for example, why do you want to talk to a mortgage broker? You have to set up an appointment. You've got to get in your car and drive, sit down with them or they come into your home. Why not just go online and talk to artificial intelligence? You Google the company, have a look on the website and make sure they're okay, and away you go. Electronic signature, it's all yours. Down and done.

Accommodating Client Preferences

Embrogno: When thinking about providing new systems to clients, one word we should remember is "accommodation." You are never going to completely change the behavior of how people want to do things. Our systems need to be open and flexible to achieve maximum acceptance and participation.

Systems will need to be updated to make sure they are simple enough and configured for client use and access. Clients are more educated in terms of using technology than ever. Twenty years ago financial services companies had the coolest technology. It was in a brokerage firm that I first saw a multi-screen display. But now, clients have outpaced IBDs and RIAs in terms of their use of technology. A glaring example is e-signatures. Only now are we starting to see firms signing electronically, but consumers have been e-signing for more than 5 years.

So I think there's some catch-up to do, but I think accommodation should be the thought—because if you really accommodate, you are listening to them, which means you are taking care of them. The need for personal relationships will not be replaced by technology. Rather, technology needs to strengthen those relationships. I tell you right now, my seventy-something year-old father is never, ever going to deal with a machine.

Davey: But, Tom, the seventy-year-olds … I'm sorry to say this but they may not be around for that much longer. Just something to think about.

An interesting thing: in the UK, they are way ahead of anywhere else in the world. The UK Regulator put out a big paper early last year about suitability and the advice that's given by advisors. Then the issue became what about advice not given by advisors? Off websites, that sort of thing. They put out a guidance paper on "simplified" advice.

It covered web-only services, web services supported by a non-advice call center, web services supported by a qualified advisor, etc. So it's coming! The Regulator has got guidelines for that already. It's going to happen.

Professional Advice Facilitated by Technology

Wershing: So you asked before, "Who uses a travel agent anymore?" I do and my wife does, and for good reasons. Technology is not going to totally replace personal relationships. There is always going to be that segment of the population that wants the personal touch.

Geoff Davey, Steve Wershing

It used to be that the advisor was the source of information. You went to a broker because he knew the information. That's not the case anymore—you can get the information anywhere. So we have to create those reasons why somebody should go to a particular person to get that. And there are always going to be people who want that personal relationship, and then there are always going to be people who want professional advice facilitated by technology. Then there are going to be people who would be happy as ever just to have all the technology available so they can do a lot of it themselves.

I think you're right, we have to figure out how to deal with the fact that that's coming. The future is going to include a whole new range of relationships, including the old way, but with a lot of other ways to put it together.

Davey: To some extent, the discussion has been about how to help travel agents, as distinct from how to help consumers who want to travel. I think that is the cutting issue. Yes, there will always be travel agents, and they will do a brilliant job. But it will be the high end of the market. And there will be fewer of them than there are today.

Embrogno: Having systems in place that include the client is a good place to start. Today at many IBDs, clients are included in the process. By deploying a distributed platform we can extend technology to all parties. Back office workflows can be exposed to clients, which make things more transparent and less intimidating. Our solutions have to give them the confidence they need to do business whether it is with a person or a system. To regain the confidence of the investor, we need to let them know we have tools to best service their needs.

Biggest Opportunities for Advisors

Wershing: The biggest opportunity for advisors in the digital age relates to marketing. We now have the ability to broadcast in a lot more detail what it is that we have to offer people. It's critical that we find out from people what it is that they expect, what they would value most that would draw them to us; what kind of expertise, what kind of outcome, and what kind of experience they want. And if we don't do that, then we will not connect with clients like we could. We have the capability of doing a lot more so that we can design an experience that people are looking for, and then deliver it to them in whole new ways that we could never before.

Geoff Davey

Davey: I would say the digital age gives planners the opportunity to think about new types of businesses. To go back to the analogy I've been using today: they can continue as travel agents, or they can think about services for the traveling public. That is a huge opportunity. But it's a real change of business model or even business target.

Littlechild: We started by talking about profitability, and I really believe that client engagement is client profitability. The engaged client is a deeper relationship, more satisfied and more loyal. They deliver referrals. And advisors enjoy higher share of wallet from an engaged client. So then we need to think about how digital fits in to that, and how do we drive engagement. It absolutely begins with understanding what is important to clients and how that is changing, what process will support delivering on that, and then what tools we can use to deliver. This is really the technology piece, but this in my mind is about connecting the dots between what somebody is trying to accomplish and what tools we can apply.

Blamphin: This whole conversation today raises a lot of issues about the value proposition that advisors now need to bring to the client relationship—especially with the digital age and the massive amount of content being readily available. You can go find out how to construct a great asset allocation, frankly, if you wanted to, just going online and doing it yourself. So I think it's shifting from a knowledge-based service, where the client goes to an advisor to learn something, to a doing-based service, where the client actually requires the advisor to do the trading, submit the paperwork, that sort of thing. I think that technology and the value proposition can move together in that direction.

Marie Swift, Patrick Farrell, John Blamphin

Farrell: I think that the digital age is in its infancy. We don't know where we are taking this, we don't know what new opportunities it will create over time, but I think there will be many. I think what goes hand-in-hand with the digital age is the concept of being a perpetual student; that our clients, advisors, and ourselves have to be constantly embracing new knowledge and new learning. The only way we can keep up in this fast changing world we are in, is to be a lifelong learner. I think that goes hand in hand with embracing the opportunities that are coming now and in the future.

Golberg: I would echo a little bit of what Pat says, and I would question everything: question the way we are doing business, the way we are using technology. For instance, are we outsourcing skills and processes that we don't necessarily need to? I think we need to understand whether we serve clients or we serve customers. I think there is a subtlety there, and we need to learn a great deal from other professions that we work with. For an example, everyone in the advisory business world is talking about fiduciary responsibility and how to articulate that as a market advantage now; but the legal world and the accounting world have been fiduciaries for a long time. I think understanding and working with those professionals with your clients can really help us do a better job of understanding what it truly means to be a fiduciary. There's a great deal of conversation about that now, and I know the UK and Australia are in somewhat better shape than the United States. But to truly understand what it means to have a fiduciary relationship with your client, I believe, is something that we can get from other professions that are ancillary to us, that we should be looking to partner with.

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About the Participants

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President and CEO, Investacorp, Inc.
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Patrick Farrell, CPA/PFS, is a twenty-eight year veteran of Investacorp Inc. and currently serves as its President and CEO. He started with the firm in 1985 and has served in various roles during his career with the firm including controller, due diligence officer, chief financial officer and chief operating officer. Prior to joining Investacorp, Farrell, who received an M.B.A. from Florida Atlantic University in 1984 and a B.S. Accounting degree from Barry University in 1980, was an auditor with Arthur Andersen LLP in Miami, Florida. He is a Certified Public Accountant and a member of the AICPA, FICPA and is active member of the Financial Service Institute (FSI).

Headquartered in Miami, Florida, Investacorp Inc. is a FINRA registered broker/dealer and a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. (NYSE Amex: LTS).

Julie Littlechild

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Advisor Impact, an Accretive 360 company, is a leading provider of research and tools to help financial service professionals drive client engagement and growth, working across North America and the United Kingdom. In addition to conducting client feedback programs at the enterprise and individual level, Advisor Impact conducts on-going research among advisors and investors and publishes the industry's only annual benchmark on client engagement.

Littlechild started Advisor Impact in 1998, following a four-year period focused on studying the activities of top producing financial advisors. As a recognized expert on client engagement and loyalty, Julie is a frequent speaker at sales and industry conferences and contributes to a wide range of publications. She is the author of the Business Success Kit, a comprehensive guidebook to assist Financial Advisors in efficient practice management. Julie serves on the national board of directors of the Financial Planning Association and was named one of the 25 most influential people in the U.S. Advisor community by *Investment Advisor* magazine in 2011 and 2012. She holds an MBA from the University of Toronto.

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Stephen Wershing, CFP®, coaches financial advisors on how to create and implement referral marketing plans. His firm, The Client Driven Practice, teaches advisors how to focus their business on what clients value most and make it the center of their communication strategy, resulting in elevated productivity, higher profitability, and dramatically increased referrals. Wershing entered the financial services business in 1987 and spent 14 years as a broker dealer executive. In addition to his own blog, which you can find at www.TheClientDrivenPractice.com, he blogs for *Financial Planning* magazine at www.Financial-planning.com, where he has been dubbed "The Referral Doctor." He is the author of the McGraw Hill book *Stop Asking for Referrals: A Revolutionary New Strategy for Building a Financial Services Business that Sells Itself*.

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John Blamphin has worked in the financial services industry for 20 years, supporting some of the industry's top firms in technology, marketing, investment management and financial planning. He has spent much of his career working with the defined contribution marketplace and is considered an authority on compliance and advisory services within the space.

Retirement Management Systems, Inc. provides advisory, fiduciary and administrative services to the defined contribution marketplace through a network of independent financial advisors. The advisor network, in turn, provides the personal attention and insight that clients need to address their retirement planning needs.

Tom Embrogno

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Tom Embrogno has a strong background in information technology and investment banking, allowing him to see first-hand the inefficiencies that are a typical part of traditional financial services business. Tom held positions as: President and COO of a $60 million publicly traded technology company; COO of Tradeway Securities Group, a national investment banking firm; and SVP of the largest field marketing arm of The Hartford Insurance Company. In addition, he was an NASD licensed securities broker and held multiple licenses for trading and supervising stock, bond, and commodities transactions. At Exigen Group, Tom developed and brought to market the first SEC/NASD approved electronic document management and supervisory approval solution for the securities industry.

As a co-founder of Docupace, his work developing the firm's ePACS solution is a natural evolution of his 25+ years of in-depth industry knowledge. Docupace is an industry leader in delivering SEC/FINRA compliant paperless processing systems to financial services firms. Their document management and workflow solution simplifies the process of capturing, organizing, routing and accessing information.

Geoff Davey

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Geoff Davey is the creator of the FinaMetrica risk profiling system. The flagship product is a scientific risk profiling system comprising a psychometric test of personal financial risk tolerance, a methodology for incorporating test results into the financial planning process and unique educational materials to assist advisers in explaining risk and return in the context of the client's risk tolerance. The FinaMetrica system is used by 3,000 advisors in 20 countries in seven languages. More than 500,000 client profiles have been completed since 1998.

Prior to FinaMetrica, Davey was one of the pioneers of financial planning in Australia. Founded in 1972 to service doctors, dentists and lawyers, the firm provided a comprehensive range of personal financial management services, including fees-based financial planning from 1975. When Davey sold out to his five partners in 1989, the firm had offices in Sydney, Brisbane and Melbourne, and 100 staff. Davey holds a Bachelor of Science degree in Math, Computation and Statistics from the University of Melbourne.

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Eric Golberg is Loring Ward's Director of Wealth Management. He is responsible for providing advisors with the tools, resources and services to meet the wealth management needs of their high-net-worth clients. Golberg spent over 20 years working in multi-family offices and wealth management firms, handling the financial affairs of numerous executives, entertainers, athletes and musicians, before joining Loring Ward in May 2010. He was also a private banker at Union Bank of California, Chase Manhattan, and City National Bank, where he worked primarily with high-net-worth individuals, focusing primarily on financing strategies and investment analysis. Eric is a CFP® professional and a member of the Financial Planning Association. He graduated from Southern Utah University with a B.A. in Business Administration.

Loring Ward provides investment management, business management and practice development to a select group of America's most knowledgeable and forward-thinking independent financial advisors and their clients.

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Marie Swift is a nationally recognized consultant who has for over twenty years worked exclusively with some of the industry's top financial institutions, training organizations, investment advisory and financial planning firms. A top rated speaker at dozens of industry events, Marie is dedicated to elevating the conversation in the industry. Marie is also a prolific writer and contributes to many of the industry's leading publications, including Financial Planning magazine, where she has contributed over seventy articles on all aspects of marketing communications and PR (she is currently writing the Marketing Maven column for Financial-Planning.com).

A thought leader for thought leaders, she is known for bringing some of the industry's best and brightest voices together for dialog and debate. Her Thought Leader Round Table series is just one example of how Marie generates interesting conversations with movers and shakers in the financial services industry.

Impact Communications is a full-service marketing communications firm based in Kansas City. The firm has two service lines: one for independent financial advisors and one for the institutions that serve independent financial advisors.

This Thought Leader Round Table produced by:

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