

The biggest challenges facing financial advisors now



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Need for Advice



With crises in world markets permeating the news and market volatility becoming the norm, the need for professional financial advice has never been so strong.

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Challenges Abound



Yet, these are challenging times for financial advisors, who are not only trying to navigate the choppy markets but also maintain strong ties with their clients.

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Investor Sentiment



Today's investors are more informed and many are weary, even angry.

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Internet Age = Noise



The Internet age continues to bombard consumers with information—educational, as well as hyped noise—making today’s investor very different than even five or 10 years ago.

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Negative Attitudes



The Occupy Wall Street protests sweeping the country have fueled negative attitudes toward the financial industry in general.

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Evolving to Meet Demands



How can advisors adjust to the evolving demands and needs of their current and future clients?

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Role of Technology



What role will technology play in the decision-making process and client communications?

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Opportunities and Challenges



What are the biggest challenges and opportunities facing financial advisors today and in the coming years?

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Context / Setting



Seven financial services executives presented their views in a roundtable discussion following the Tiburon CEO Summit XXI.

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Ritz Carlton, San Francisco
October 13, 2011

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Clients are Changing

“I think the propensity for clients to give complete discretion may be waning and the next generation is going to be much more of a blend saying, ‘I want advice, guidance and validation and I’m willing to pay for it.’ The full discretionary investor who says, ‘I don’t need to know what you’re doing, just do it for me, take care of it,’ is changing. I think advisors will need to adapt their model and provide a slightly different approach to accommodate the more and more informed consumer who doesn’t blindly trust. The question is: Who are your clients and who are your future clients?”

“The stats are showing that independents and the fee-based advisors are the growing segment of the market. It is because their independence enables them to operate outside of the many tarnished brands in the industry. But they still want the strength and stability of a custodian or independent broker/dealer behind them. It’s the combination that is so powerful.”



Susan Theder, Chief Marketing Officer
Cetera Financial Group / Cetera.com

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Advisors Must Change, Too

“Most of our advisors don’t use technology as a collaboration tool. But that’s going to change because their consumers are going to drive them there.”

“During the life planning discussion, several of the consumer panelists spoke about their whole lives and that the money shouldn’t be the primary thing driving the financial planning discussion. It wasn’t really about performance anymore. I wonder if it’s the past decade that’s changed people’s views or if it’s more than that; perhaps it is more that people are recognizing that financial planning and retirement planning are still really, really important.”

“But it is an interesting time. Even in the discussion around ETFs versus active management, I wondered, ‘How much is influenced by the fact that this last decade has been so difficult and instead of having confidence in the markets people really have no confidence anymore?’”



Gail Graham, Executive Vice President
Fidelity Institutional Wealth Services / www.fiws.fidelity.com

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Big Firms' Loss = Independent Advisors' Gain

“At the end of the day, the advisors are part of a retail distribution chain. They can say whatever they want, but many of them don't believe that. So they don't act in the same manner as a retail distribution, which is the look, the feel, the brand, the touch. They just don't do it and I think that's a mistake for the advisors.”

“I think that the blowup of the big firms has been great for the independent advisors. At Hanson McClain, we ran full-page ads during the meltdown that read, ‘Who's bailed out your advisor?’ or ‘Who's bailed out your broker this week?’ Then we changed our tagline to ‘Independent and Proud of It.’ It attracted the high net worth client. We took them right in from the wirehouse.”

“If you're at a wirehouse now, unless you have institutional points, I don't understand why you would stay there.”



Pat McClain, Co-founder
Hanson McClain Retirement Network / HansonMcClain.com

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Where the Money Is

“I believe that there is a huge opportunity with the aging baby boomer crowd and the aging of the elderly. That is ‘where the money is’ and they are in a state of confusion, fear and they want advice. So, for the advisor, there is tremendous opportunity.”

“A major threat to the independent financial advisor will be the ability to stay small and independent, but still be able to compete for clients with the larger firms. Most will be faced with selling, merging or partnering with a firm like Exemplar. Partnering may be the best of both worlds. All of the mundane responsibilities can be outsourced for a relatively low cost and then the advisors can spend their time on revenue producing activities. The challenge for the future will be to remain independent, but not alone.”



Dave Hubbard
President, Exemplar Financial Network
Regional Director, Financial Network
ExemplarFNAdvisor.com

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Social Value, Not Just Performance

“The fiduciary standard is the right thing for the client and it’s a huge competitive advantage for those advisors who aren’t encumbered with suitability standards. If I’m competing with an advisor who’s just going to sell based on suitability and I advise based on the fiduciary standard, then I should win every single time. I think what’s neat is that the marketplace is starting to recognize it—the fact that the word “fiduciary” is even in people’s vocabulary.”

“Advisors are solving more complex problems and creating more social value in the end for individual investors. We are able to bring investments, yes, but along with all these other toolsets to the end client. It’s not just a performance chasing game anymore. The more individuals that start to understand that performance can’t be controlled, the better we will be. You can engineer your volatility down, but there is no riskless performance that’s going to bring what the markets bring without risk. It just isn’t going to happen.”



Alex Potts, President and CEO
Loring Ward Group / LoringWard.com

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Threats Due to Technology

“I think advisors should really be thinking about how their lives will change [due to advances in technology]. Some advisors will maintain that personal relationship privately forever. I think that’s a great thing; if they do a great job with the client, they should be able to do that. But they should also be prepared for the client to open up their life to other entities and other tools.”

“Those other tools will start providing significant amounts of advice into the relationship that they had previously held by themselves. So when a client goes into an aggregation engine and begins to receive advice, they’re going to be questioning—and that’s a great thing if you’re doing the right thing, and you can explain it. You can educate your client. But it’s also an opportunity for the outside, so it’s a threat.”



Frank Trotter
President, EverBank Financial
Chairman, EverBank Wealth Management
EverBank.com

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Reconciling Real Time / Real Person

“A big challenge, but an opportunity, is the reconciliation of a need for real time with a real person. I guess it’s the same conflict that you talk about between high tech and high touch: real time / real person. When a client checks their statements and has a question, are they going to want to talk with their advisor and have a real person at three in the morning? That would be an interesting challenge, but I think that reconciliation is something that also creates an opportunity.”

“Paul Steiger, publisher of ProPublica, during his presentation yesterday said he’s worried about the future of our economy and the future of our society. So in addition to being concerned with lifestyle and financial planning, do we need to be concerned about the things we don’t know, such as societal and political upheaval that we might not be ready for? Maybe you just can’t plan for it financially. Still it makes sense to have your house in order. You may not be able to control what happens externally but you’re best positioned to deal with it.”



David Smith, Co-Founder and Group Publisher
Financial Advisor and Private Wealth magazines / FA-mag.com

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Executive Roundtable



Seven financial services executives presented their views in a roundtable discussion following the Tiburon CEO Summit XXI in San Francisco, October 13, 2011.

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