



# BUSINESSFIT: NAVIGATING TOWARDS THE ADVICE PRACTICE OF TOMORROW (PART ONE)

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## Introduction

It seems that barely a day goes by where financial advisers aren't bombarded with media headlines heralding the onslaught of 'fin-tech': the next gen technology promising to disrupt the traditional financial advice model.

And while it is undeniable that the rapid pace of innovation now means consumers have access to more information – way more than we can ever process – in real time, in multiple formats, and via multiple devices, to consume whenever and wherever we like, there are also broader trends afoot that are poised to shake up the financial advice sector as we head towards 2020 and 2025.

At Zurich, we've been partnering with financial advisers for many years to help develop resources and tools, and share best practice thinking to help ensure the continued success of the financial advice profession in Australia.

However, as the scope of innovation continues to evolve, so does the way we need to respond. In addition to the proliferation of fin-tech, Zurich has identified five other seismic shifts within society that could transform the future of advice as we head towards 2020 and 2025.

In this whitepaper, BusinessFIT: Navigating towards the advice practice of tomorrow, we are taking into account the seismic shifts underway in society across the areas of regulation, technology, generational succession, and changing consumer values and explore the fundamental question:

*“What is the ecosystem of lifestyle and dream attainment in the next 3-8 years?”*

### **Five seismic shifts within society that could transform the future of advice as we head towards 2020 and 2025.**

1. Mistrust of the “establishment” is permeating Australian society – and the world at large – demonstrated through recent “protest” elections, which gave rise to Brexit in the UK and Donald Trump in the US. In Australia, this is reflecting in widespread mistrust of the financial services industry, which has been plagued in recent years by scandal and resultant media scrutiny.
2. Consumer trust is shifting from these established institutions (government, banks) to other individuals – often strangers – on platforms of the “sharing economy” such as Airbnb and Uber, and through technologies such as Bitcoin.
3. Australia is facing an increasingly ageing population. The “typical” Baby Boomer client of the past twenty years will soon be replaced by the Gen Y and Millennial client, whose use of technology, preferences towards remote vs face-to-face engagement, and ideas of financial success and a “meaningful” life will be vastly different from the “bread and butter client”.

4. Today there is already more data in the world than humans can ever hope to collectively analyse. Advancements in artificial intelligence (AI) will be increasingly used to find technical solutions, working in synergy with humans who will specialise in roles which require emotional intelligence (EI).
5. This is all underpinned by increasingly onerous government regulation, which is lagging in its understanding of the changing nature of financial advice, developments in technology and the role that advisers will play in the coming decades.

## An exploration of the future of financial advice

With the five seismic shifts in mind, Zurich handpicked some of the best and brightest thought leaders in the financial advice industry and brought them together to scenario plan the tangible opportunities that these trends will offer financial advisers – particularly those looking to gain and retain clients by efficiently guiding them through the plethora of information about which investments to choose, when to choose them, or when to change tack.

At the helm of the specialist workshop was internationally renowned futurist, Anders Sörman-Nilsson – whose philosophy on balancing the positives of modern technology with traditional customer service methods align with Zurich's way of thinking. Together, we 'travelled through time' to 2020 and 2025 to consider 'a day in the life' of an adviser, and how these seismic trends will impact on how they attract, retain and offer advice to clients in an uncertain future.

## What will an adviser look like in 2020 and 2025?

Through our robust discussion of the tangible technological future for financial advisers, we explored:

- How technology will evolve the way advisers keep in touch with clients on an everyday basis about their portfolio of investments and appropriate wealth protection.
- How digitisation, automation and outsourcing can help financial advisers run truly efficient businesses, where back end processes are largely automated.
- Where the 'sweet spot' is between digitisation, cognitive comprehension and old-fashioned service, and how this will allow advisers to not only access the information they require, but to process and apply it to each client's unique circumstances, getting back to basics of offering valuable, effective and truly tailored advice. Out of this "science fiction" odyssey, our participants came to one

### Tech in focus

Full Contact - analogue business cards still matter, and can serve as nice reminders to contact a new lead or contact. However, the way we reach out is most likely digital. Get access to virtual workers and AI who will scan your newly gained business cards, and input it into your CRM or contacts list for easy outbound marketing and connections.

undeniable conclusion of the future that awaits a financial adviser in 2020, 2025, and beyond:

*"This whole industry is under a misnomer that money is the point. It's not. Lifestyle is. We need to change the way we're approaching [financial planning] and turn it into dreams, hopes, motivation, inspiration. All of the apps out there, they help us to get this stuff done. We talk like that's what we offer, but we behave like it's about money."*

– Peita Diamantidis, Caboodle Financial Services.

## Methodology

Predicting the future impact of trends is often shaped by people's own experiences and beliefs. This tendency can lead to individuals' inability to recognise certain critical changes around them.

In order to objectively identify the key driving forces shaping the future of advice, and get a detailed overview of the impact of tomorrow's drivers of change, participants used the (STEEP trends) analysis framework of scenario planning.

This methodology, which analyses the Social, Technological, Economic, Environmental, and Political (STEEP), is commonly used to gain an insight into developments during times of uncertainty, times of information overload, or times of disorganisation.

## Establishing the 'future state'

In order to meet the transformation challenge head-on, participants developed a framework (XY axis) by nominating the two most disruptive trends that they believe create the greatest uncertainty for advisers, and will also have the most significant impact on the ecosystem of lifestyle and dream attainment for their clients in the future.

Following a robust discussion, using the STEEP analysis, the following disruptors were selected to construct the XY axis:

X: Status Quo vs Values Shift – Comparing the current financial 'success factor' of home ownership with more 'experiential' and untethered lifestyle achievements.

Y: Top Down vs Bottom Up – Comparing government-enforced regulation with consumer-driven change.

## Future state scenarios

Tasked to develop four diverse scenarios, each hypothetically outlining how these disruptors may play out in 2020 and 2025, participants explored the following:

### Scenario 1: Regulation Nation (X: Status Quo, Y: Top Down)

This is the closest scenario we have to the present day, and takes into consideration that the status quo has remained into 2020 and 2025.

Regulation is driven from the top down and remains a constant for financial advisers. The government and its associated bodies will continue to tick off a growing list of regulatory requirements, with a particular focus on greater transparency and robust self-reporting on the part of financial advisers.

Consumer values remain the same. The 'Great Australian Dream' of home ownership remains unabated, as does the desire for instant gratification that comes from 'quick-hit' purchases such as cars, holidays and luxury goods.

The consumer trend of 'Lifelogging' is also growing at a rapid pace. Also referred to as the 'Quantified Self' this is the process of tracking personal activity like exercising, eating and sleeping, to track progress towards goals and analyse ways to improve personal habits.

### Tech in focus

Struggling to manage logins and a distributed team who need digital access? LastPass enables you to have access to all your passwords via a single, secure log-in.

Gone are the days of paper notes, moleskin diaries, and post-it notes with a multitude of passwords.

Figure 1. Four 'future state' scenarios using STEEP analysis



### Scenario 2: iAdvice (X: Values Shift, Y: Top Down)

This scenario theorises that consumer values have shifted considerably and regulation is driven from the top down. The example used by participants was the complete de-regulation of the financial advice sector by the Federal Government, opening it up to competitors.

With the government removing itself from the regulation of financial advice, a significant vacuum is left to be filled by an equally – if not more – powerful influencer – social media. In this case, we again address the impact of ‘big data’ and the revolutionary approach to data-driven communication currently taken by major social networks.

The example used by participants was the power of Facebook and its influence over users’ decision-making, to the point that it could be possible in the future for consumers to receive financial advice from the platform, based on direct information, “likes”, and external online activity traced via cookies. In this case, every bit of digital data we create is potentially powerful financial data.

In this scenario, Facebook could advise on almost everything for consumers based on their online activity, including potential real estate investments, holiday planning, or even portfolio construction based on an individual’s psychographic values, interests or ethical viewpoints (i.e. green vs blue chip).

### Scenario 3: The Great Untethered (X: Values Shift, Y: Bottom Up)

This scenario is based on a significant shift in consumer values, moving away from the ‘Great Australian Dream’ of home ownership and the 9-5 job as the marker of financial success, however takes into account that regulatory change will be driven from the bottom up.

With the median house prices in major cities (particularly Sydney and Melbourne) inching close to – if not surpassing – the \$1 million mark, consumers in this scenario have realised that owning a home is not a realistic way to invest their money, opting instead to live a mobile existence and work towards achieving other life goals such as travelling the world, operating an online business, or investing their time and money in supporting causes they are passionate about such as climate change, or global poverty.

Examples of clients in this scenario are the retiree cohort of ‘Grey Nomads’, who sell up the family home to travel around Australia in their Winnebago, as well as their younger Gen Y and Millennial counterparts – digital nomads – who may be running their own businesses through new technologies from the myriad co-working spaces that exist from Bali to Berlin.

### Scenario 4: Do It With Me (X: Status Quo, Y: Bottom Up)

The final scenario is based on values remaining the same as current day, however change is driven from the bottom up, rather than top down by governments and regulatory bodies.

With regulatory control handed back to consumers, there is a significant shift in the roles and responsibilities expected from financial advisers. The example used in building this scenario focuses on the educational standards of advisers, shifting from a narrow technical scope to a much broader holistic “financial coaching” role that encompasses consumer psychology and works with clients to help them achieve the lifestyle they want.

With this change in emphasis on the role of an adviser, may also come a change in their professional networks and education systems. Participants in this scenario workshoped the possibility of Australian tertiary institutions introducing a new qualification such as a Bachelor of Lifestyle Architecture, with generalist knowledge in lifestyle areas, including finance. Graduates would then work alongside advisers, who have technical tools and expertise, in each area required by a client to find the ‘perfect fit’ for their lifestyle goals. This is a move towards ‘Do It With Me’ solutions rather than ‘Do It For Me’. **FS**

### Tech in focus

Wistia - if a picture says a thousand words, video says a thousand pictures. Using video platforms like Wistia, in conjunction with open formats like Facebook Video and YouTube video marketing, can ensure you capture leads in-video, and that you control and curate the content that your visitors see on your website and main media channels.

Part two of this whitepaper will explore the four ‘key recommendations’, which not only detail the challenges and opportunities that lie in each major trend currently afoot, but also offer practical tips on how advisers can leverage these trends and make manageable changes to their businesses to survive and thrive over the coming decade.