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TOP 10 TRENDS IN THE AUSTRALIAN WEALTH MANAGEMENT INDUSTRY

How social, demographic and technology changes are driving the evolution of wealth platforms.

Author name

Escalating social and demographic changes to the traditional client base, together with the unabated adoption of digital delivery, are transforming the provision of next generation platforms, products, services and advice across the Australian wealth management industry.

With the associated rise in the power of social media, these trends are bringing the customer to the centre of propositions as never before, with providers seeking to increasingly employ data from many sources to provide a highly personalised experience.

Product and service gaps left by the traditional players are being filled by an explosion of Fintech start-ups, causing many to critically review their business models and the technology that underpins them. The increased prevalence of self-reliant DIY investors and recent regulatory changes, including the Future of Financial Advice (FOFA) reforms, are compelling wealth managers to look to technology trends in the US and UK to provide a basis for their next generation platform models.

Many are rightfully concerned about the likelihood of disruption from new unencumbered entrants, who are capitalising on the lack of agility of traditional platform providers hampered by legacy technology. In the UK, we have seen a wave of next generation platforms spring up and a number of existing platform providers undertake system modernisation to prepare themselves for the next generation in platforms, products and services.

By contrast, the Australian industry's response has been much slower, with many providers continuing to rely on legacy and bolt-on solutions. In this paper, we identify 10 major trends in the Australian wealth management industry and explore their implications for next generation platforms. Further, we seek to demonstrate that each of these trends relies in varying degrees on the willingness of providers to invest in system modernisation in order to support them. The trends are:

1. Generational change and social media
2. Mobile and digital delivery
3. Analytics and personalisation
4. Cloud and 'as a service'
5. Changing face of advice
6. Direct to customer
7. Aggregators and Fintechs
8. Product and investment innovation
9. Cyber security, privacy and compliance
10. Technology and the Internet of Things.

Only by recognising and preparing for the new world order brought about by generational change and technology can Australian wealth management platform providers be assured of future business success.

1. Generational change and social media

Increased reliance on the advice of our peers

Demographic and social changes to the wealth management client base are necessitating a complete rethink of how platforms, products, services and advice are delivered. On one hand, the industry must respond to the long anticipated wave of the Baby Boomers, who are at last tipping over into the world of retirement, creating demand for new products, as well as advice on the complex tax environment. At the same time, the industry must respond to the advice needs of Gen X, who are concerned about whether they will have sufficient funds in retirement and also reach out to the Millennials, who represent the next round of accumulators.

As the most significant drivers of the wealth management business in the years to come, the Millennials are in the spotlight. Understanding the buying behaviours and servicing expectations of this cohort will be a major influence on industry business models, platforms, products and services, well into the future. Key traits of the Millennials likely to drive future propositions include preferences for online research when choosing products, digital transaction and servicing, a sense of control over their finances, peer and social media recommendations, financial coaching over financial advice and changing providers to obtain better value.

Interestingly, these preferences are not unique to the Millennials, but can apply equally across the generations. While many solutions targeting this market work well for most other segments, care should be taken to avoid a broad-brushed approach. As we discuss later in this paper, a strong desire for personalised offerings continues to dominate across all demographic groups.

Social media has emerged as a powerhouse for influencing the opinions of all generations, not just the Millennials. Today, each generation is becoming more socially connected online, with the older generations tending to use the likes of Facebook, while the younger generations preferring more instant platforms such as Snapchat. As a result, social media remains an important vehicle for wealth managers to reach their client base, but also build and protect their business reputation. There are new social media sites that rate financial products, services and providers, in the same way TripAdvisor is used for planning holidays. Such sites provide new online forums in which complaints can be raised and resolved, for all the world to see.

Social media is also influencing wealth management delivery models. New sites – such as Ayondo and SelfWealth – are allowing self-directed investors to create social networks to manage portfolios and measure performance against peers, professional investment managers and underlying markets. In a variant on this theme, some organisations are creating networks within their own client base allowing them to share experiences. Additionally, social networks are opening up increased opportunities for peer-to-peer (P2P) offerings, which have been operating in the lending space for some time and are now broadening into insurance, superannuation and wealth platforms.

At the heart of the social media trend is an increased reliance on the advice of our peers over traditional wealth managers and advisors. Providers must not only take great care to monitor and manage their social media presence and strengthen their business reputation – they must also keep a watchful eye on alternative peer driven offerings and consider whether they need more flexible delivery models in order to protect their market share.

2. Mobile and digital delivery

24/7 – when, where and how we want it

In mid-2007, the launch of the first generation iPhone propelled our world into the digital age. Today, smartphones dominate and tablet use is rising rapidly, as desktop and laptop use declines. Almost 7 in 10 Australians currently use three or more connected devices1. Recent statistics from Google Think show that 81 per cent of smartphone users access the internet on their mobile. More and more consumers rely on the internet and social media for research prior to transactions.

Increasingly, wealth management platform providers are using digital interactions to build stronger relationships with their customers, leading to increased loyalty and retention. Given the importance of mobile and digital offerings going forward, it is imperative that providers understand the factors critical to effective digital design and delivery. They are:

- **Well-timed, compelling content** – Consumers lose patience with sites that fail to display information relevant to their individual circumstances. The smarter organisations are personalising these experiences and using analytics to deliver well-timed, compelling content.
- **Real-time, up-to-date and accurate** – Consumers expect immediate access to high-quality information. They further expect online interactions to be seamlessly processed and updated within the system in real-time.
- **Get your message out fast** – We see five second ads at the start of YouTube clips because advertisers know all too well that the average person has an attention span of eight seconds! If your offering can't meet customer needs quickly and easily, you will lose them.
- **Reduce friction** – In our busy lives, we naturally gravitate towards products and services that save us time and effort. Wealth management platforms must think outside the square to remove needless, unnecessary steps in the consumer experience.
- **Usability and consistency of experience** – Consumers transact more and more across multiple platforms and channels. Wealth management platforms must deliver a consistent user experience across all devices or run the risk of frustrating and losing customers.
- **Responsive web design** - Google recently expanded its use of mobile-friendliness as a ranking signal in its search engine. Wealth managers must employ responsive web design to provide optimal website viewing and interaction experiences, regardless of the device.
- **Get visual** – The rapid rise of Instagram and Snapchat tell us that young adults can't get enough visual content. Wealth management platforms must seize upon visual content and video as a means for delivering key messages.
- **Customer networks** – Savvy wealth management platforms of the future will open up communication lines between customers and create social networks through chat rooms, blogs and P2P communication.

To keep pace with consumer expectations, platform providers must employ an agile technology base that can support the rapid and flexible delivery of new mobile and digital channels as they emerge and evolve. What works today, may well be out of date within a very short time frame. Platforms of the future need to cater for fluidity in technology and delivery channels.

3. Analytics and personalisation

Responsive, personalised experiences

It was said at a recent Salesforce World Tour event that 90 per cent of the world's data was created in the past 12 months, but only 1 per cent of this data has been analysed. Yet, the sheer volume of information is not the only barrier. Many businesses have lacked the systems and processes to effectively manage their own data, let alone exchange data with others.

Due to technological advances, data collection, storage and sharing is becoming cheaper and easier and more providers are turning their attention to mining this valuable resource. Most large financial institutions are now building up a base of internal analysts and one of the fastest growing segments of consulting practices worldwide is around big data and predictive analytics.

In Spain, BBVA (a Spanish Banking Group) has been openly sharing it's anonymised data with other industries for more than a year and this has provided an unprecedented understanding of their customers' preferences. In the years ahead, we will see increased collaboration among wealth management providers to gain deeper insights into consumer trends and behaviours.

The challenge for analysts is to divine the data that delivers the most relevant and pertinent insights, thus enabling it to be more effectively and rapidly monetised. Fast data, the next step after big data, seeks to glean useful information from your big data and apply it in a real-time way to enhance product and service delivery to customers. Predictive analytics seeks to exploit patterns found in historical and transactional data to identify business opportunities and risks. The results of this business intelligence analysis needs to be integrated into platform service delivery.

One area gaining traction within predictive analytics is the use of artificial intelligence to cater for the vast amounts of data backing this work. ANZ Bank recently partnered with IBM to employ the substantial processing capabilities of its supercomputer Watson within its customer service segment. The aim is to achieve smarter, faster financial recommendations – yielding a customer experience that is simple, personalised and steeped in data-informed insights.

Perhaps the greatest benefit of big data and predictive analytics is the ability to vastly improve customer engagement through digital experience and personalisation. A recent survey of superannuation industry executives revealed that 83 per cent of superannuation trustees expect to personalise each member's fund experience by 2025.

Yet, in a tricky balancing act, providers seeking to capitalise on the benefits of big data and predictive analytics must carefully gauge when and how to use it. Employed too little, there will be missed opportunities on both sides of the equation. Employed crudely or too often, without tangible and immediate customer benefits, they risk alienating their client base.

In the years ahead, wealth management platforms must be capable of supporting big data, predictive analytics and high levels of personalisation. Platforms of the future must be developed within an agile framework and feature modern architecture capable of real-time responsive integration.

4. Cloud and 'as a Service'

Scalable, real-time access to leading edge software, services and data

In truth, many wealth management providers struggle to employ the complex operating environments and skilled staff capable of supporting mobile and digital service delivery, as well as big data, predictive analytics and personalisation. Increasingly, providers are turning to cloud and 'as a service' offerings as viable and cost effective alternatives.

Cloud computing allows businesses to access unprecedented scale and performance on a user pays, needs basis. You no longer need to buy huge amounts of storage for your big data or CPU's for your complex analytics - you simply rent what you need, when you need it.

One of the key concerns and challenges surrounding the use of cloud computing in financial services has been around cyber security. Providers want to know where the data is located and, as a result, many countries and providers require data to be held onshore.

Most platform providers are now using hybrid clouds, which mix public and private cloud technology. Under this arrangement, a public cloud is used for less sensitive information and processes and a private, in-house cloud is used for confidential customer information and processes. In many cases the use of cloud providers can improve the level of cyber security offered as they must comply with strong standards to win and retain business. Having said that, it is still the responsibility of the wealth manager outsourcing to the cloud to ensure their data and systems are secure.

Along with the growth in cloud computing, we have seen a proliferation of 'as a service' offerings in the market, typically delivered through a cloud-based environment. These offerings meet a broad cross section of needs ranging from software, platforms and infrastructure, through to data management and business processes.

The benefits of these offerings abound. In a rapidly evolving space, they provide:

- speed to market
- access to leading edge infrastructure, software and specialist staffing
- cost controls over hardware, software and specialist staffing
- flexibility to cater for peaks and troughs in business cycles
- rapid scalability to grow with your business
- broader access to information and services
- enhanced specialist security

The quote

Millennials are in the spotlight as the most significant drivers of the wealth management business in the years to come.

To an extent, the success of many of the new Fintech companies has stemmed from their ability to bring new modern solutions, quickly and easily to market. Unencumbered by legacy technology, they have taken full advantage of the cloud and 'as a service' support to develop and deliver their solutions.

Wealth management providers should be actively using cloud and 'as a service' offerings to secure a competitive edge. To do so, would leave them free to focus on their key points of differentiation.

5. Changing face of advice

The right advice at the right time in the right context

In the wake of the FOFA reforms, the Trowbridge review and numerous financial advice scandals, the Australian advice market is undergoing transformational change. The new focus is upon delivering the right advice at the right time in the right context.

The renewed imperative to provide unbiased, transparent and efficient advice in the client's best interests is forcing advisory firms to critically assess their service offerings and underlying systems. The superannuation industry is similarly scrambling to adapt to the changes. Industry funds are creating stronger ties with adviser groups and planning associations to ensure they can provide members with appropriate advice. Demand is being driven by Baby Boomers seeking guidance as they transition into retirement, as well as members seeking advice on Member Direct Investing (MDI).

In the SMSF space we are seeing new licencing requirements for accountants who want to provide more holistic advice to their SMSF clients. The Certified Practicing Accountants (CPA) association also recently announced it will be setting up a fee-for-service advice network in response to these changes.

The development attracting most attention is the rise of robo-advice, which comes in many forms:

- **US-style robo-advice platforms** – these fully automated non-discretionary investment solutions, such as Betterment, Nutmeg and Stockspot, enable investors to undertake an automated fact find and risk analysis that recommends a pre-established model portfolio. An interesting variant on this is the Covestor approach which, akin to online dating, matches clients up with external investment managers.
- **Self-service investment and financial advice** – these solutions provide online tools to educate and support customers to carry out self-directed investment in relation to their goals. For example, the solutions provided by the Decimal Group provide the ability to be self-directed, yet also work with a financial adviser for the more complex aspects of planning.
- **Guided advice** – these solutions, such as Yellow Brick Road's Guru, support more holistic strategies, including traditional face-to-face advice as well as remote advice delivered online or over the phone or by video. It also includes omni-channel advice, which enable investors to self-service in some areas, then seek advice for more complex areas.
- **Variations on the theme** – there are all manner of other solutions, including the likes of SelfWealth creating communities of investors, Wealth Know How focusing on investment education and ANZ Bank using artificial intelligence to enhance online advice.

A key question often asked is whether robo-advice will replace financial advisors. The answer is probably not. It's more likely that these offerings will complement the work done by advisors. In a hybrid approach, clients will self-service for areas they feel comfortable with, then seek financial advice for more complex financial issues, such as retirement, insurance and estate planning. Increasingly, we will see advisors, with different areas of specialisation, teaming up to service an individual client's needs.

To cater for the new approaches to advice, wealth management platforms of the future must support multiple distribution channels and provide the end customer with a consistent and personalised user experience. They must deliver tools, calculators and education to support self-service and provide seamless links between clients and advisers online. The challenge will be to make something that is deeply complicated, appear simple and easy for the end customer.

6. Direct to customers

Cutting out the middle man and maybe even the platforms

There is increasing interest in the provision of wealth management products and services on a Direct to Customer (D2C) basis. This trend has been observed in the US and UK for a number of years and has been fuelled by a number of factors, such as the FOFA and Retail Distribution Review (RDR) reforms, the rise of robo-advice solutions and the ability to use data and analytics to place the customer at the centre of a personalised solution. In addition, lower entry costs are allowing new players to emerge in this space. New D2C operators are taking advantage of affordable, modern software and hardware environments made available through cloud-based offerings.

The UK has seen a number of new players, such as Nutmeg, take on the traditional D2C platforms provided by the likes of Nationwide, Barclays, HSBC and Hargreaves Lansdown. The primary impact of the new D2C entrants on existing wealth management platforms has been to put fee pressure on all aspects of the value chain. Some of the new players are offering robo-advice and education for under $100 or even free, charge fixed platform fees rather than a percentage of assets, have reduced platform and investment fees and offer online self-service and administration, significantly streamlining their back offices.

While new D2C platforms are all about the simplicity of the offering, ease of the user journey and price, brand and trust still play a major role in attracting customers in the first place. Though the new, smaller players have gained much press, they have struggled to gain a significant market share against the larger, well-established incumbents. What the incumbents lack in slick front-ends and personalised user experience, they make up for with their large marketing campaign budgets and solid history as trusted, reliable brands. A recent UK research paper on the D2C platform market indicated that new entrants were struggling because just 14 per cent of the buying decision was based on price and 66 per cent of customers preferred to go with a trusted brand.

In Australia, the big four banks have been leveraging their relationships with their existing customer base, particularly in the superannuation space. The likes of BT Super for Life and ANZ's Smart Choice Super have focused on creating simple one-stop-shops that integrate super into personal banking. It will be interesting to see how these groups engage with their financial planning partners to develop B2B2C style offerings.

Alliances form a strong component of the D2C market place in other wealth management businesses. Prime examples include Tesco Supermarket extending into banking and Coles and Priceline teaming up with insurers. The likes of Coles and Woolworths are clearly watching the superannuation and investment space waiting for the right time to enter.

In the years ahead, it is likely that strong brands with access to large customer bases, data and analytics will emerge as the most successful players in the D2C market. Match these players up with modern digital solutions and we will see powerful disruptors to the wealth management space. Recent research by ING Direct found that 73 per cent of the Millennials would be more excited about new financial services from Google, Amazon, Apple and PayPal. In the years ahead, we could very well see the likes of these players as distributors in D2C marketplace.

7. Aggregators and other Fintechs

Holistic customer views that fill service gaps in traditional platforms

Another interesting area of development has been the emergence of aggregation services. The most notable player in this space has been Yodlee, a start-up that developed the software and tools for financial services companies to provide customers with an account aggregation service to unify and manage their finances online.

Filling a gap in traditional wealth management platforms, these solutions meet the needs of customers seeking to holistically view and manage their financial matters. By aggregating customer accounts from many sources, they allow for comprehensive expense management, bill payment, budgeting, savings, investments and financial wellness assessments and projections. Increasingly, these solutions are utilising other Fintech developments to enable online money movement, mobile bill payment and transfers between providers. Offerings that have been available for some time internationally are now emerging in the Australian environment, including P2P lending and crowdsourcing for individuals and small businesses.

While the aggregators are breaking down barriers typically provided by the traditional wealth platforms, such as payments and money transfers, they must still maintain a back office registry that securely retain records and transactions and carry out regulatory requirements and reporting. The Fintechs true strength lies in delivering other platform capabilities such as distribution, robo-advice, education and transactions in a customer-centric, personalised and holistic way.

In short, the aggregators have forged a new paradigm that requires all wealth management platforms to work towards the provision of real-time, integrated and holistic solutions. For some larger platforms with legacy technology, this is likely to require system modernisation.

As a platform provider, you don't necessarily have to emulate these holistic solutions all on your own. Providers shouldn't be afraid to collaborate with Fintech start-ups or even their competitors to achieve aggregation. It makes good business sense to integrate with new Fintech solutions to fill gaps in your current platforms to keep you customers inside your ecosystem.

Some of the key players shaping future trends in wealth management platforms include:

- Ayondo and eToro – social trading platforms
- Mint and MoneyHub - wealth aggregation platforms
- Australia Post Digital Mailbox – centralised statements and payments
- Robinhood - Free stock trading
- SocietyOne and Rattesetter – P2P lending
- FIIG - Fixed interest specialists
- Shoeboxed - receipts in one spot
- Kabbage and Nimble - lending solutions
- Domacom and BrickXProperty - fractional property investing
- Spire Financial - linking annuities providers to platforms.

At the end of the day, it doesn't really matter how you get there. Moving forward, it will be the wealth management platforms offering the most holistic solutions with the least friction for transactions that will attract and retain customers and enjoy a competitive edge.

8. Product and investment innovation

The retirement wave and self-directed investing

Having focused for many years on the impacts of regulatory change, we are at last seeing wealth management platform providers show renewed interest in product and service innovation.

Retirement products

Increased life expectancy and the long-awaited transition of Baby Boomers into the decumulation phase, is increasing demand for retirement product and services innovation. In response, we are seeing a raft of approaches come to market, some new and some old.

Life companies are actively looking to increase life-based annuity products including life, deferred and underwritten annuities. There is a resurgence in account-based variable annuities with various levels of capital and volatility protection. Many platforms have forms of portfolio protection, while others are using assets such as options and bonds to provide a capital guarantee. There is a return to the mutual concept in investment, with risk pooling solutions. Many platforms are implementing robo-advice solutions that use tax and social security system modelling to optimise outcomes. Super funds are extending basic life stage investment models into the retirement phase, while hybrid solutions can be mixed and matched to meet client needs and aspirations.

Wrap of wrappers

The ability to create a household view of financial and other assets is another innovation arising from the focus on customer-centric solutions.

In the UK, wrap platforms have evolved past those in Australia, with many tax wrappers products assisting investors and advisers to optimise savings and tax positions. The next phase of evolution we are seeing in the UK is the 'wrap of wrappers' – where a platform links one or more of the wrappers from third parties onto a best-of-breed platform.

Over the past few years we have seen Australian wrap providers focus on producing vertically integrated plat-

The quote

The average person has an attention span of eight seconds! If your offering can't meet customer needs quickly and easily, you will lose them.

forms. Examples include cradle-to-grave products from super funds and integrated super and banking offerings. As the trend gains ground, we are seeing propositions broaden to include third party products, such as life insurance annuities, credit cards and loans provided to super members.

Investment innovation

In the investments space, there is a real increase in traction in IMAs, SMAs and Discretionary Funds Management, with smaller niche platforms emerging to cater for this more tailored approach to investing. In superannuation, the MDI offerings and growth in the SMSF segment are also opening up opportunities for investors to select a more diverse range of investment options. This combined with trading platforms such as the ASX mFunds is opening up new opportunities for fund managers.

Investment options such as fractionalised property and fixed interest are emerging and international indexed players are eyeing off the disproportionately large superannuation investment pool. Industry fund Investment managers are looking to provide wholesale and retail offerings around asset classes previously not accessible, such as infrastructure.

The concept of zero margin disruption is a real threat, with some larger scale global investment managers considering entering the UK and Australian markets with almost negligible platform and fund fees. The Fintech start-ups are similarly eyeing the traditionally high margin sectors, with the likes of Robinhood offering 'free services'.

Regardless of the area of innovation, wealth management platform providers must grapple with the technology challenges associated with launching and administering new products and services in a holistic and personalised way.

9. Cyber security, privacy and compliance

Protection of your most prized assets

The pursuit of real-time integration, straight through processing and predictive analytics from big data stored in the cloud, exposes wealth management platform providers to new risks and threats.

Cyber security

According to PwC, detected security incidents have risen by a compound annual growth rate of 66 per cent since 2009. In 2014, an estimated 42.8 billion security incidents were reported, which amounts to approximately 118,000 incidents per day. In this context, it is critical for platform providers to thoroughly understand not just their own processes and systems, but also third party interactions, and apply this knowledge to establishing appropriate protection at all points in their business chain. Key factors in developing an effective cyber security framework include:

- **Know what to protect:** Prioritise your security initiatives, as not all activities have the same risk exposure. Data, privacy, transaction capability, identity and intellectual property are paramount.
- **Know how to protect it:** Employ multiple security measures such as software and encryption, monitoring and audits, passwords and authentication, biometrics, training and data separation.
- **Identify areas of risk and exposure:** Pinpoint vulnerable spots in your business chain i.e. data spread across multiple systems, multiple connected devices, clouds and third party integration.
- **Evaluate vendors:** Ensure vendors have appropriate security measures in place.
- **Plan and review security defences regularly:** Employ plans, protocols and systems that are regularly tested and updated, acquire and review insurance and consider 'war gaming' simulations.

Privacy

Existing privacy legislation often predates and fails to address the rise of digital communication and the use of big data and predicative analytics. As a result, there are a number of areas that wealth managers should carefully consider when using customer data. Customers must retain individual control over their personal information and your privacy and security practices must be transparent, easy to understand and accessible. Data used internally and externally should be anonymised to protect the individual's identity and data must be kept up-to-date and accurate. Every effort must be made to ensure big data and predictive analytics do not result in inappropriate and discriminatory customer profiling. As the debate and legislation catches up with the digital age, we can expect to see increased scrutiny around privacy considerations, with the power shifting to the customer.

Compliance

Given that we are not likely to see an end to local and global regulation any time soon, compliance will remain central to any wealth management provider's processes and operations. However, regardless of the imposition of continuous regulatory change, Australian wealth management providers will be forced to innovate to protect themselves against the rising tide of disrupters.

In the years ahead, platform providers' increased reliance on integrated solutions from third parties will require them to invest considerable energy in future proofing their businesses against cyber security, privacy and compliance risks.

10. Technology and the Internet of Things (IoT)

System modernisation is paramount

The spectre of disruption from the Fintechs and the potential to lose market share, is at last creating the impetus for wealth management providers to bite the bullet and address the shortfalls of their underlying operating environments. One of the key differentiators of the new Fintech firms, which fill gaps left by traditional wealth management providers, is that they are not held back by large complex legacy systems, but instead are free to adopt modern scalable technology solutions.

Recognising this, momentum is building across the wealth management industry, with more and more providers looking to simplify and modernise their operating environments, as a matter of priority.

There are a number of key factors that wealth management platform providers need to consider when choosing a solution partner to modernise their core systems. These include:

- **Modern technology base** – Solutions must be built on a best-of-class database, using modern industry standard programming languages.
- **Continuous program to retain modernity** – Solution partners must offer an active program to maintain the currency of their solution over time.
- **Modern customer-centric architecture and configurability** – Solution design must place the customer at the centre of all wealth management propositions and provide a holistic view.

- **Integration capabilities and service oriented architecture** – Solutions must be able to seamlessly link to both internal systems and best-of-breed partners.
- **Cloud and 'as a service' friendly** – Solutions must be deliverable over the cloud and/or 'as a service' to provide flexibility, scalability and security.
- **Supports multichannel service and sales delivery** – Solutions must cater for all types of digital interaction, as well as support business operating models that service customers on their terms, in a consistent way.
- **Scalable** – Solutions must be able to handle current and future transaction volumes, all within acceptable performance levels.
- **Fits with your operating model** – Solutions must be flexible enough to handle complex integrations with best-of-breed solutions, ensuring consistency of service.
- **True straight through processing in real-time** – Solutions must support genuine straight through processing of wealth management transactions in real-time.
- **Supports big data, fast data and data intelligence** – Solutions must provide accurate, relevant and timely data to support automated, personalised user experiences and journeys.
- **Flexible development approach** – Solution partners must understand how your business operates and align their support to your business approach.
- **Clear, well-articulated roadmap** – Solutions partners must factor a strong understanding of the regulatory environment and international trends into their system development.
- **Providers as partners, not suppliers** – Vendors should operate as a partner to your business. Cultural and business alignment is key to a prosperous working relationship.

Living in an increasingly connected world

As we see the wealth management industry embrace the need for modernisation in the face of rapidly changing technology, there is an overwhelming sense that it's not a moment too soon.

Fundamental changes are afoot that are transforming the way in which we live, work and play. We all live in an increasingly connected world and it is for this reason that it's worth taking a special look at one particular area of technological development - the Internet of Things (IoT).

More and more, we are employing wearable technology as well as 'smart' devices within our cars, our homes, our workplaces and recreational spaces that are all connected to the internet. In 2015, our penchant for connected devices has accelerated. By year's end, Gartner expects that more than 4.9 billion connected devices will be in use globally, a 30 per cent increase over 2014. As devices proliferate, we are seeing the rise of connected platforms that help us simplify and improve the things we do every day - from entertainment and commuting through to home maintenance, health and finances.

This connectivity will deliver the ability to constantly monitor a whole range of variables, including personal behaviours and preferences. We are already seeing its impact in general insurance with the use of telematics and in life insurance with discounts for the use of wearables. To date, however, there has been limited application of IoT in the wealth management space. Basic uses include real-time alerts, balance updates and nudges on smartphones and smartwatches. More sophisticated future uses might include biometric authentication such as fingerprints, voiceprints and retinal scans which will significantly reduce the friction associated with logging on and transacting.

In the years ahead, the space to watch will be the application of the IoT within predictive analytics and personalisation. Tech savvy providers will seize this opportunity to secure a competitive edge in the marketplace.

Conclusion

It is evident from this review of the top 10 trends in the Australian wealth management industry that generational change and technology are driving a new world order in next generation platforms, products, service and advice.

The power has well and truly shifted from the provider and advisor to the consumer. As the Baby Boomers move into retirement and the Millennials begin the accumulation phase, platform providers must innovate as never before. Further, social media is providing a mechanism for customers to share experiences and provide recommendations to their peers in an unprecedented way.

The overwhelming adoption of smartphones and tablets is revolutionising the way in which products and services are being distributed. Mobile and digital delivery are now essential, not just to engage with end customers, but to increase transparency and efficiency, and respond to margin squeeze.

Knowing your customers has never been more important and with the aid of big data and predictive analytics, providers are constantly improving personalisation. Providers are increasingly taking advantage of cloud and hosted solutions to access cost effective, scalable and best-of-breed hardware and software solutions.

Advice is changing, not just as a result of regulation but also consumer expectations. Robo-advice is becoming commonplace, while advisors are emerging as financial coaches. Distribution is changing too, with the rising popularity of D2C offerings.

Platform providers are under increasing pressure to compete with the lower fees of the new aggregators and Fintechs who are not burdened by legacy systems and products. Providers must look for ways to become more efficient and justify the fees for the services that differentiate them.

In the years ahead, platform providers must take the next step to deliver clients a holistic, one-stop-shop that caters for all aspects of their financial well-being. To do this, providers will need to fill gaps in their current offerings, partnering with third parties, such Fintechs, to meet customer needs.

A growing demand for innovation across the retirement, wrap and investment spaces, together with the threat of disruption, is forcing providers to look beyond regulatory compliance. As a result of increased third party integration, big data and predictive analytics, cyber security, privacy and compliance controls now require considerable attention.

At the heart of the new world order in wealth management platforms, products and services, is the need for providers to employ a modern technology base. Solutions must be characterised by customer-centric, service oriented architecture and strong core systems with modern integration capabilities. They must support digital service delivery, big data and predictive analytics, real-time straight through processing and seamless, yet secure transactions with third parties.

Ultimately, the successful next generation platform providers of the future will be those who gain and retain trust, reduce friction and provide the holistic, personalised user journeys customers increasingly expect. FS