

False Trends in WealthTech: Advisor's Perspective



What should platforms do or not do to win advisors loyalty? Alex Chalekian answers

It's only rank-and-file financial advisors who really know which products they'd love to use. Many industry influencers fabricate new trends to follow, and nobody asks, "Look, why are you saying it's going to be this way? How can you know what's really important?" Alex Chalekian, CEO of Lake Avenue Financial, feels as though experts can often be wrong. These are the three trends he highlighted as inaccurate or misinterpreted from an advisor's perspective.

Misbelief #1. Technology increases advisors' efficiency

Wrong.

Technology brings advisors more work, obviously, and now they simply can't avoid using it. It increases opportunities, as well as scattering the area of focus, which only multiplies the effort required from advisors. When we [talked with Alex in 2017](#), he said that he had expected technology to give him far more time to manage other things, but in reality it made him work 10 times harder and prevented him from working solo. Alex felt it would all be downhill from there.

"Back in the day, the client was willing to pay commissions. You know why? Because the financial advisor had more information than the client did. They were a resource for information. Now, investment management is turning into a commoditized industry. On top of that, regulation is going up, costs are rising, and fees are coming down. Advisors are starting to get squeezed out of the business."

Few aspects of the automation of wealth-management processes actually bring advisors relief. Rather, technology provides plenty of specific tools, which are becoming must-have to do a good job for clients. **What should platforms offer to help, not harm, advisors?**

Alex would love to see a centralized solution with all the necessary tools onboard. Such a platform could eliminate exorbitant effort on duplicating data across all the separate tools, which are run manually. There are several platforms that are already on track to integrate all the necessary tools under one wing, such as [AdvisorEngine](#).

Misbelief #2. Better performance equals better value

Not exactly.

Alex happened to choose between an advanced performance and in-use simplicity. At the time, performance had nearly lost the battle.

When doing financial planning, advisors have to deal with various client segments, each with its own characteristics and demands. In order to meet these demands, advisors need to provide a wide variety of services. Therefore, tools that provide a richer services scope and deeper analytics are most beneficial.

Meanwhile, most advisors don't run the trades themselves; their clients also want to be hands-on, which is why it's crucial for tools to be user-friendly. Also, there's a huge segment of clients that don't need sophisticated plans—mainly young people, who are OK with simple plans. In that case, too many features and complex analytics may only cause confusion.

Alex used to operate with two separate solutions to please all clients—one that is complex and limiting but powerful, another that is pretty plain but handy. Fiddling with the two took extra effort and increased costs, though it suited their needs well and satisfied the client base.

“What a lot of advisors think is important to a client is often on the opposite end from what a client wants, and what is important to them. So if an advisor thinks performance is very important, a client might say, ‘Performance is not as important to me as being able to access and contact you when I need something.’”

As soon as a tool with great analytics and features—from the bigger market player—launched a lite version of their system, their client experience improved greatly. Alex decided it was silly to pay twice as much for the same service. Thus, it's not by performance alone that WealthTech platforms can differentiate themselves. It's also crucial not to underestimate the client experience.

Misbelief #3. Advisor services will be commoditized

Hardly that.

Alex is sure that, given the current level of disintegration between solutions, the financial planning industry is far from becoming a commodity. There are still many problems preventing most financial advice from becoming automated.

A lot of the financial-planning tools just look at the numbers and data while assuming something has happened. Let's say you put \$100 in a 401k from your first paycheck. From your next paycheck, you put in another \$100. Often, platforms assume you had a 100% return on your money and do not take contributions or distributions into consideration.

The same thing is true regarding withdrawals. Such notifications can freak clients out; they might call and say, “Your online portal is showing that I lost 20% in my accounts, what's going on?” An advisor has to remind them, “Oh, remember, you took a withdrawal from here.” Such issues arise because of poor integration and tech limitations.

“I don't think all technology systems are sophisticated enough to say ‘Ah, there's a \$20,000 withdrawal, let's lower the basis on this account, so it doesn't look like they had a 20% loss.’ Those types of issues can cause a problem with the advisor giving a good, detailed performance report to the client.”

The other problem is customization. Different client types have to be treated differently. It's hardly possible to build a commoditized platform that will suit all client needs and not swamp them with tons of information. It would help advisors greatly if platforms could provide target investors and display only those features they would use, while hiding the rest. Also, Alex said that it's worth creating more opportunities for clients to easily communicate with advisors so that they can identify the relevant needs.

“If I could design my own platform, it would be something where the client could engage with us, get access to our own calendar, be able to schedule video chats, conference calls, whatever it may be.”

Takeaways

It's vital to stay up-to-date with industry trends, but it's direct users who know all the ins and outs of the domain, can also be a great resource. So it's also beneficial to take their view into account.



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