What Trends Will We See in the Finance World over the Next 10 Years?

How will demographics, monetization efforts, and robo-advisors affect the advisor landscape over the next 10 years?

Interview with Keith Gregg,
Founder, Chairman, and CEO of Chalice Wealth Partners

Clients are getting increasingly younger

Less than a year ago, TD Ameritrade released a report on the changing demographics in finance. According to the report, 23% of registered investment advisors (RIAs) do not have a strategy for bringing in younger clients, and 44% of RIAs are not actively recruiting young advisory talents.

In the same report, TD Ameritrade predicts that, in the next five years, **baby boomer clients are expected to drop from 46% to 43%**, whereas **senior clients will drop from 23% to 13%** (It would be interesting to know if it took life expectancy into account).

Generation X and millennial clients are expected to grow to 41%, compared to 30% today.

Aging advisors are struggling to monetize their business

Turns out the demographic shift is affecting advisors as well.

Keith explained that since entering the world of finance, he has seen this shift unfold, but he says now there will be another shift, and it's the aging population of financial advisors in wealth management.

> “With the average age of the wealth adviser today in the mid to late 50s, you see this psychological shift for these middle-aged folks and the question is, how do they focus on monetizing their life’s effort and their life’s work over the next 10 or 15 years?”

Keith divulged that he is looking to monetize his business over the next 10–15 years. Advisors working for major brokerage firms and wirehouses are only now realizing they have nothing to monetize.

Obviously, advisors are not going to take this sitting down or start running around like chickens with their heads cut off. Keith said they will start going the independent route.

What does this mean for the market?

> “There will see a huge shift in the assets going from the major financial institutions being managed by individual wealth advisors and employees to being shifted to independent wealth managers owning their own independent wealth management shops.”

When this happens, the major winners will be big custodians such as Charles Schwab, Fidelity, and TD Ameritrade because they support independent advisors.

Chalice is ready to serve these new independent business owners with its shared services platform that integrates many different products and tools.

> “There is a big, big, big seismic shift towards independent advisors taking place right now. It's almost like the beginnings of an earthquake on a seismic scale of one, two, or three. Believe me, it'll go to five, six, and seven over the next three, five, and ten years.”

Robo-advisor AUM will have an annual growth of 27% over the next five years

The “Fintech Report 2019 – Personal Finance” by Statista states that assets under robo-advisor management will show an annual growth rate of 27% over the next five years**, from $980 million in 2019 to over $2 billion by 2023.**

What will happen to human advisors? Keith told me that if advisors are purely doing investments and not managing wealth, they should be concerned about their robotic counterparts.

> “There are a lot of algorithms that you can build along with all the market data and input that you can get to actually build portfolios, both active and passive, to satisfy the investor management needs that don't necessarily require a human being per se.”

When Keith was chairman of the Wealth Advisement Institute in the mid-2000s, he traveled around the country, speaking to thousands of people. He often asked, “How many of you know the difference between an investment advisor and a wealth advisor?” After a long silence, he would tell the audience that an investment advisor gets one-third of a wealthy client’s portfolio. The wealth advisor gets two-thirds, which helps them manage all of the client’s wealth.

> “The wealth advisor manages the complex needs of the client’s overall wealth, family legacy issues, and things of that nature. Then, by God, they’re going to be just fine [with the growth of robo-advisors].”

The bottom line

I guess, depending on your age, you’re either humming Bob Dylan’s “The Times They Are A Changin',” David Bowie’s “Changes,” or Iggy Azalea’s 2013 hit, “Change Your Life.” In any case, change is a constant wave, and it affects every aspect of the finance world. Experienced wealth tech experts such as Keith have seen the shifting sands firsthand, and they have come to the conclusion that you have no choice—you have to keep up with the times.

About

Keith Gregg is a 32-year veteran of the financial services industry. He started out as a retail financial advisor in a wirehouse and steadily moved up the ranks in management, eventually becoming the president of several broker-dealers. Keith founded Chalice Wealth Partners in the fall of 2016, where he currently serves as chairman and CEO of both Chalice Wealth Partners and the Chalice Financial Network.

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