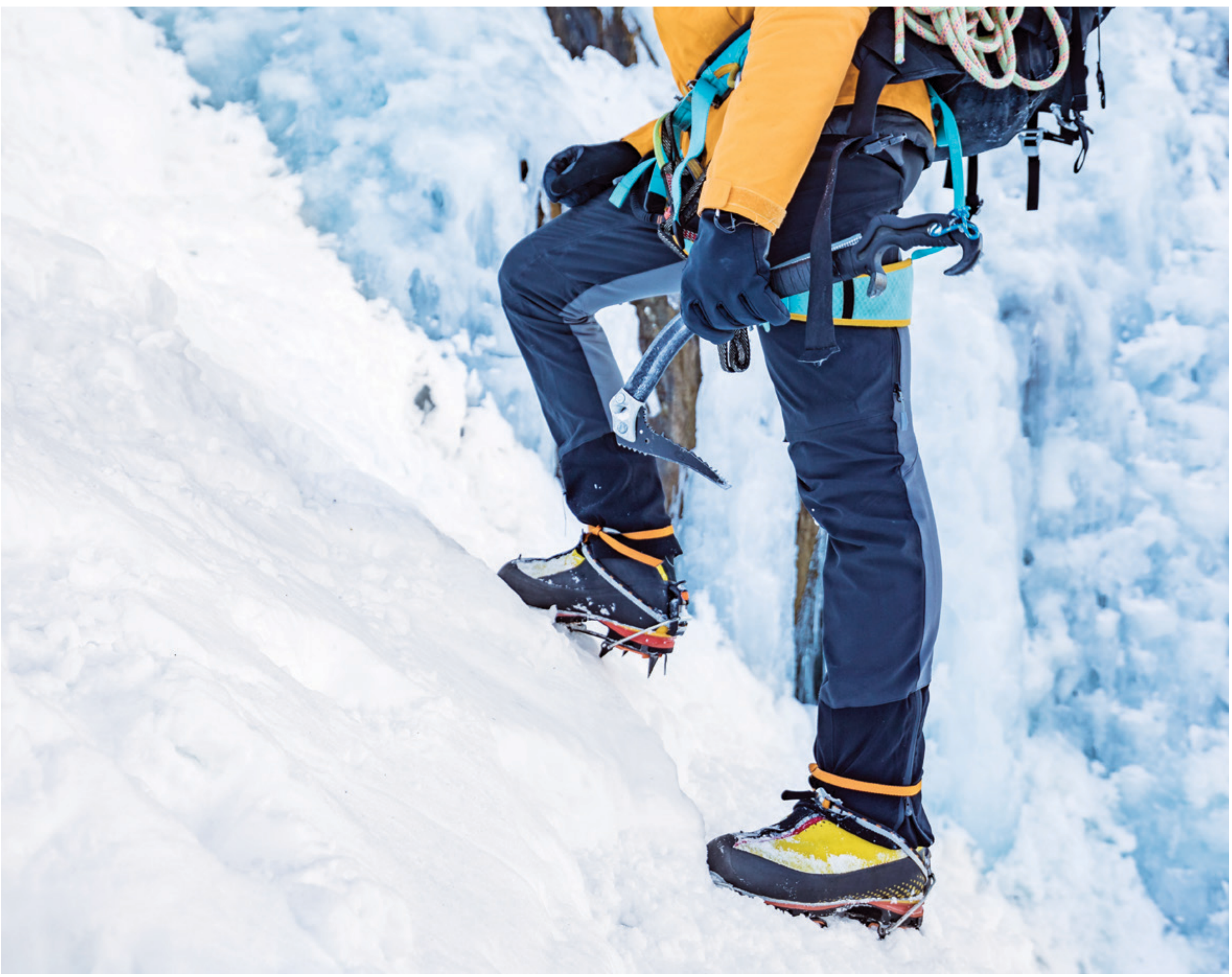
Desperately seeking stability.

Industry change and market turmoil are putting some advisors on shaky ground.



Never a dull moment.

That's just the way it goes for financial advisors and wealth managers. No sense fighting it. Better to embrace the reality and roll with the changes. Of course, that's not always easy, and it doesn't mean sitting around passively. To the contrary. Advisors may be able to stay viable in the ever-shifting landscape by being proactive and finding a partner that can provide a measure of stability. Leveraging the right ecosystem can help turn inherent instability into an opportunity to thrive where others struggle to survive.

Defining instability

Financial services are undergoing unprecedented change. The challenges are coming fast and from all angles.

For starters, look no further than the macroeconomic backdrop, which remains confusing—even contradictory. This has manifested into repeated bouts of stomach-churning market volatility.

This turmoil remains one of the key threats to individual investors, and by extension, to advisor-client relationships. The entire field of behavioural economics has shown that investors are hard-wired to do the exact opposite of what should be done in the face of volatility. Keeping clients from making emotional decisions–i.e, selling at the bottom and chasing returns at the top–is not new, but it requires constant attention.

To be certain, the fun isn't over. The Bank of Canada and the Federal Reserve managed to coax inflation down from record levels while removing some of the excess liquidity without triggering a recession—so far. But is a soft landing for the economy a foregone conclusion or hopeful thinking? Will central banks resume their accommodative ways, or is the new regime of tight money and higher-for-longer interest rates here to stay? Will equity market leadership remain extremely narrow with just a handful of stocks driving the majority of returns, or will participation broaden? And where should fixed-income investors look for the right combination of yield and risk? So many questions, and not many definitive answers.

Beyond the macro

It's not just the confusing macro environment and subsequent client behaviours that define our unstable landscape.

Exacerbating the challenges is the continuing evolution of both asset and wealth management businesses.

Competition in the asset management industry is fierce. Investors can choose a Big Six bank for their financial services. They can bank, buy insurance, and invest their money—all with the same company. However, independent Canadian Investment Regulatory Organization (CIRO) dealer firms continue to evolve and grow, with regional and national players trying to gain scale and navigate the new regulatory environment.

Asset managers, who need to remain competitive to access wealth manager product shelfs, must embrace the changing marketplace because Canadians are demanding more alternative and flexible investment options for their retirement savings.

Fee compression has also been weighing on many advisors. Individual investors are becoming more reticent of paying for advisory services since online portfolio management platforms offer a wide array of investment products with lower management fees.

Embracing change

There is little debate among advisors about the tectonic shifts underway in this business.

Change is everywhere.

But it's not a lost cause, and advisors are not necessarily on an island. Rather, there are ways to improve efficiencies, safeguard client assets, navigate regulatory obstacles, and otherwise thrive in this environment.

Chief among these is finding a partner with a diversified investment platform—one that provides risk management in uncertain times along with access to a comprehensive suite of investment products. This is the tonic required to help create stability in the unstable world of financial services.

An antidote for instability

The reality is that the financial services industry is changing at virtually every level and at a faster pace than ever before.

So what's the antidote for this backdrop of shifting sands? Part of the answer involves finding the right partner that provides the foundational stability for success.

Here are four key considerations:

Resources

A global asset manager with deep roots in Canada can have the resources you want to help your practice succeed. From practice management to diversified investment options, build relationships with your business development team to discover what is available for your unique needs.

Track record

Has your asset manager been properly vetted over the long term? Advisors should look for a partner that has demonstrated the ability to survive different crises and adapt over the years. Actively managed strategies, using a manager-of-managers approach, can help you and your clients capitalize on long-term drivers of market performance and enhance returns.

Access

Knowing that your partner has a wide range of experience in both retail asset management and pension management can be key. Not only can an advisor access the same institutional managers that large company pension plans can—without a large minimum investment—they can also offer their clients retail versions of many of the same mutual fund strategies.

Values & philosophy

Often overlooked is whether you and your partner share the same values and a similar philosophy. An individualized, goals-based framework is the ultimate benchmark, in our opinion, and the best route to lasting client relationships.

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130 King Street West
Suite 2810
Toronto, ON M5X 1E3
855-734-1188

seic.ca

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