PRIVATE BANKING & WEALTH MANAGEMENT

Staying ahead.

How private banks can leverage technology to win over wealth advisors.

As the wealth management industry is staring down an impending wave of advisor retirements, private banks face a two-pronged threat: retirement plus an exodus to independent channels. Banks must offset advisor retirements by both attracting new talent and slowing advisor attrition—while competing with the allure of independent advisory models.

One of the greatest weaknesses for many banks, hindering both recruiting and retention efforts, is their technology.

In a recent survey, only 12% of bank executives and advisors reported being satisfied with their firm's technology; more than half expressed frustration. Technology stacks were cited nearly universally as a top challenge of operating in the bank channel.[1] Even as wealth tech has advanced significantly across the wider industry, many banks still rely on outdated, legacy technology.

In this article, we'll look at how banks can turn their wealth tech from liability to strength, helping them retain experienced advisors while attracting a new generation of talent.

The situation: Wealth advisor attrition.

The war for talent in wealth management continues to intensify, with advisor attrition on the rise and a shrinking pool of candidates stepping up to fill the gap. On average, advisors in the private bank and trust channel are 43 years old,[2] up from 40 in 2022.[3] And bank advisors, on average, expect to retire at age 64—four years earlier than peers in other channels.[4]

Meanwhile, nearly three-quarters of rookie advisors (having three or fewer years in an advisory role) failed or left the wealth management industry in 2022, resulting in advisor headcount growth of just 2,579 last year.[5]

At the same time, the number of bank advisors moving to independent channels will likely accelerate in the coming years, as advisors look for more freedom or monetization options ahead of retirement. Research indicates that 71% of advisors would prefer independent affiliation, compared to only 44% of advisors who are currently independent, pointing to excess demand for independent channels.[6]

How can banks make it more attractive for advisors to operate within their wealth management programs? By upgrading to tech that makes it easier and more enjoyable for advisors to achieve their professional and financial goals.

The solution: Wealth tech that works.

As the role of a financial advisor has expanded from product sales to more comprehensive wealth management and investment services, so too has the range of functions that advisors must perform. This includes managing and analyzing large data sets, meeting regulatory compliance, and communicating complex information to clients.

Wealth tech has continued to innovate and evolve to meet this need and wealth management practices increasingly use technology to expand their functions and capabilities. To remain competitive in attracting and retaining talent, banks need to modernize their wealth management platforms to keep up with advisors' needs and expectations.

Here are three critical ways a better wealth platform can help banks keep existing advisors engaged while attracting younger advisors to the firm.

1 Empower advisors to focus on what they do best

In interviews with Cerulli, wealth advisors at banks frequently cited tasks such as account opening and beneficiary changes as processes that could be more automated or streamlined, but instead take several days or longer due to technological limitations.[7] The more time advisors spend on routine tasks, the less time they have to spend on what they do best: building relationships with clients.

In fact, many advisors spend only about 20% of their workweek meeting with clients, according to a Kitces study.[8] If 20% of the week isn't enough time to have meaningful discussions around investment goals and solutions, it's time to ask: What if your firm could double the amount of time advisors spend with clients?

Consider how much time is spent on manual tasks. Are advisors devoting too many hours to extracting and analyzing data? How often do they have to rekey the same information as clients move through the investment journey? How long does the client onboarding process take—and how much paperwork is involved? Workflow automation can standardize and streamline these processes, freeing advisors to focus on clients.

20%

Only 20% of the advisors' workweek is spent meeting clients

2 Get critical data where it's needed, faster

Lack of integration between digital tools and applications is one of the top challenges advisors point to in using technology effectively. In a recent study, nearly 70% of advisors surveyed said it was a moderate or major challenge.[9]

Inter-application integration is critical, given the sheer range of wealth management tools that front, middle, and back office teams must use on a daily basis. For advisors to provide personalized and timely services to clients, they need to have critical information at their fingertips—without having to manually cobble together data, accounts, and reports from multiple sources.

A single, unified technology platform with straight-through processing can facilitate seamless information exchange and collaboration while eliminating the dreaded "swivel chair." This not only facilitates transparency and empowers advisors with the information they need, but can also foster a greater sense of teamwork among all employees.

70%

Nearly 70% of advisors say that the lack of integration between digital tools and applications is a challenge

3

Help advisors achieve their goals

On average, only 45% of advisors say their tech is very effective at enabling them to efficiently and effectively deliver services and engage clients.[10] To help advisors succeed in their goals for themselves and their banks, technology must have a positive impact on key metrics and business objectives.

There are many ways in which technology can help drive better outcomes for advisors and their clients. Real-time data access, advanced audit tracking, automated portfolio rebalancing, and powerful performance dashboards are just some examples of how an integrated technology platform provides the tools and insights advisors need to provide better client servicing and communication.

Technology can also play an integral role in helping advisors secure and retain clients. Two-thirds of advisors in a recent survey reported that outdated technology has cost them business—while those with a more modern tech stack saw increased growth of new client assets under management (AUM) over the past year.[11]

45%

Only 45% of advisors say their tech enables them to deliver services and engage clients effectively

The future of work in wealth management.

Over the past few years, the labor force in general has become bolder about stating their wants and needs at work. Improving the employee experience and attracting new talent often requires extra effort, and investment, from employers.

Within wealth management, many advisors are looking to work and interact with clients in new ways, fueled primarily by digitization. Hybrid working models and digital collaboration tools, for instance, provide greater flexibility and enable new forms of engagement. In some cases, these may become a preference for both advisers and their clients.

Newer generations in particular, from millennials to Generation Z, expect to work with modern technology, similar to the seamless, online engagement they enjoy in other areas of their lives. As more assets move to the next generation of clients, a fresh wave of advisors is needed to serve this market. And younger advisors don’t want to do business in the way it has always been done.

A main key to attracting and retaining talent is to improve the digital experience they encounter every day. Otherwise, these advisors will simply move on to join companies that do it well.

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