

eAdvisors Take the Lead

How some advisors leverage technology to help spur outsized productivity and growth

A Fidelity study¹ identified a strong linkage between the use of technology and advisor success metrics. Participating advisors who engaged in more technology activities than their peers—called eAdvisors—had almost 40% more assets under management (AUM), attracted more Gen X/Y² investors, and geographically expanded their reach.

Technology can be an enabler as changes underway in the financial advisory industry call for increased efficiencies and an enhanced client experience.³ Yet, only 30% of participating advisors were found to be taking advantage of a full range of technologies to strategically grow their business.

Advisors who don't get serious about tapping into the power of technology risk falling behind. This paper explores the technology practices of eAdvisors to provide insights on how to leverage additional technologies to help deliver more value to clients and have a positive impact on the bottom line.

Inside, you will find details about:

- ✓ The Growing Importance of Technology
- ✓ The Profile of eAdvisors
- ✓ Technology's Positive Impact on Business Results
- ✓ How to Build an eAdvisor Business
- ✓ Considerations before Moving Ahead

¹See "About the Study" on page 2.

²Born between 1965 and 1993.

³Perspectives of Sanjiv Mirchandani, President of Fidelity Clearing and Custody.

About the Study

THE 2014 FIDELITY® ADVISOR INSIGHTS STUDY included a rigorous analysis of technology that started by looking at how advisors across all channels use different applications to support their business. It then focused on eAdvisors,* a subset of participants who were using more applications than others. The study investigated what these eAdvisors were doing differently from their peers and the impact their behaviors had on business results.

THE STUDY INVOLVED:

- **QUANTITATIVE RESEARCH** with 933 advisors who work primarily with individual investors and manage a minimum of \$10 million in individual or household investable assets.
- **FACTOR ANALYSIS**, which was used to identify the key themes around technology usage by advisors. This was followed by cluster analysis to group advisors by similar technology-based traits/attributes to identify those advisors who were using technology more than others.
- **AN ONLINE, BLIND SURVEY** (Fidelity was not identified) conducted during the period from September 18 through October 6, 2014, by a third-party firm not affiliated with Fidelity. Firm types included a mix of:
 - Large and small banks,
 - Independent broker-dealers (IBDs),
 - Insurance companies,
 - Regional broker-dealers,
 - Registered investment advisors (RIAs),
 - And wirehouses,with findings weighted to reflect industry composition.
- **QUALITATIVE RESEARCH** conducted using client interviews, to support the quantitative findings.

All statistics referenced in the paper are from this study unless otherwise noted.

Read why being an eAdvisor may be critical to your future success.



The Growing Importance of Technology

Forces of change are impacting the need for advisors to incorporate different technologies throughout their business.



The Profile of eAdvisors

eAdvisors leverage twice as many technologies as their peers and are outpacing them as a result.



Technology's Positive Impact on Business Results

Higher AUM and more millionaire clients are a few of the benefits eAdvisors are seeing when compared with their peers.



How to Build an eAdvisor Business

A close look at 22 technology activities reveals many opportunities for advisors to enhance their work environment.



Considerations before Moving Ahead

Be aware of some of the issues you may face as you take steps to become an eAdvisor to help make the transition as smooth as possible.

*The study defined "eAdvisors" as the 30% of the advisory population who are more frequent users of technology applications when running their advisory practices compared with other advisors. These technologies span all aspects of the advisor's practice, from prospecting through client service and operations. The group was identified through a k-means clustering segmentation process utilizing the responses to questions regarding advisors' current usage of a variety of technologies in their practice.



The Growing Importance of Technology

While the automation of many operational tasks has brought greater efficiency to financial advisory firms, advisors are using technology across their business as a game changer to further differentiate themselves from their competitors.⁴ This is especially important as numerous trends continue to change the face of the industry.

FORCES OF CHANGE IMPACT THE NEED TO USE TECHNOLOGY

YOUNGER INVESTORS USING TECHNOLOGY

Emerging affluent investors⁵ are poised to accumulate wealth and 69% of those surveyed expect technology to be part of how their financial activities are managed.⁶ In addition, 41% say they would leave their advisor if he or she wasn't using technology to enhance his or her services.



RISE OF DIGITAL ADVICE

A small but growing segment of investors are interacting with advisors digitally,⁷ showing an appetite for financial advice delivered online through an engaging interface. Importantly, 40% of emerging affluent investors feel an advisor can be replaced by automated investment management tools.⁶



ADVISOR SHORTFALL

An advisor supply-demand imbalance is building, with many older advisors on the brink of retirement while the inflow of younger talent is not keeping pace. An estimated shortfall of 10,000 advisors by 2020⁸ underscores the importance of doing more with less by leveraging technology to improve productivity.



⁴"2014 North American Wealth Management Technology Survey: Attitudes, Approaches, and Trends," Aite Group, October 2, 2014.

⁵Emerging affluent investors are ages 21–49 with investable assets of \$50,000 to less than \$250,000, and household income of \$100,000 or more. Investable assets include cash, checking accounts, savings accounts, certificates of deposit, money market funds, mutual funds, exchange-traded funds, stocks, bonds, futures, options, 529 plans, IRAs, SIMPLE IRAs, Keogh retirement funds, annuities, hedge funds, separately managed accounts, lifecycle funds, and collectibles (e.g., precious metals, art, wine) purchased for investment purposes; excludes any real estate or investments in 401(k), 403(b), pensions, or other employer-sponsored retirement plans.

⁶The 2014 Fidelity® Investor Insights Study, part of Fidelity's Insights on Advice program. This study included a total of 1,064 35-minute online interviews with investors, and was conducted during the period from July 14 through July 28, 2014. Respondents were screened by a minimum in investable assets (excluding retirement assets and primary residence), age, and income levels. The sample was provided by Bellomy Research's network of online panel partners.

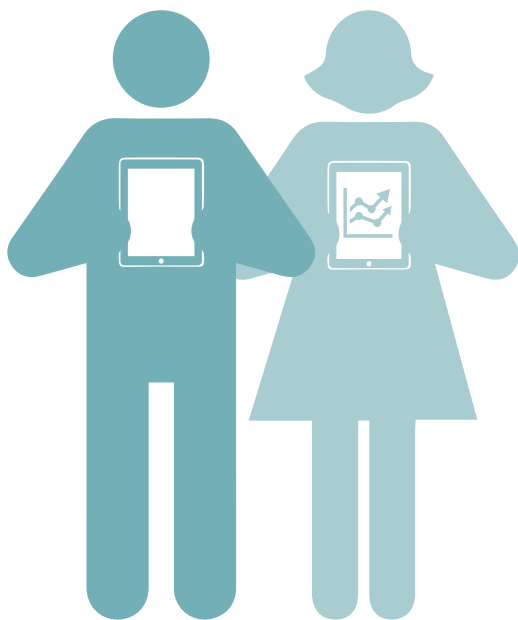
⁷"Digging into Digital Advice: Lessons from new advice models mean potential new opportunities for traditional advisors," Fidelity Clearing and Custody, July 2014.

⁸"Advisor Metrics 2014, Capitalizing on Transitions and Consolidation," *The Cerulli Report*, Cerulli Associates 2014; "Help is on the way," *InvestmentNews*, March 15, 2015.



The Profile of eAdvisors

Advisors who leverage technology to its fullest may be well positioned to address these developments. To evaluate the state of technology use across the advisor landscape, the Fidelity study identified 22 discrete technology activities and asked participants if they used them in their business. The results showed that 30% of respondents were eAdvisors, using 15 versus seven activities when compared with their peers—and outpacing them as a result.



>2X

The number of technology activities being used by eAdvisors in the study compared with their peers

THE TYPICAL eADVISOR:

- ▶ Has median AUM that is nearly 40% higher
- ▶ Has a higher percentage of millionaire clients in his or her base (35% versus 28%)
- ▶ Serves 55% more clients
- ▶ Has a higher percentage of Gen X/Y clients (37% versus 31%)
- ▶ Is more likely to be from Gen X/Y (70% versus 53%)
- ▶ Is more satisfied with his or her career (82% satisfied versus 77%)
- ▶ Is more likely to be in an RIA or Insurance affiliate

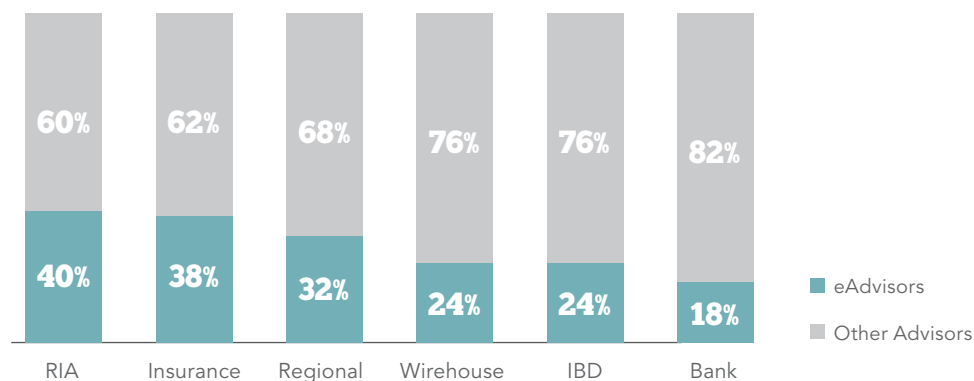
KEY BEHAVIORS OF eADVISORS

- Bring tablets to meetings and use them to execute transactions
- Offer a collaborative client platform
- Use data aggregation to provide clients with a total picture of their assets
- Develop interactive reports for clients
- Provide clients with automated email alerts
- Track client interactions via customer relationship management (CRM) systems
- Communicate with clients and promote their practice via social media
- Automate workflows
- Use online risk and compliance tools

eAdvisors exist across all channels

According to the Fidelity study, the largest percentage of eAdvisors can be found in the RIA channel, followed by Insurance. This may be due to the fact that advisors at RIAs have more freedom to develop a customized technology suite, and advisors at Insurance firms need to efficiently handle the large volume of clients they serve.

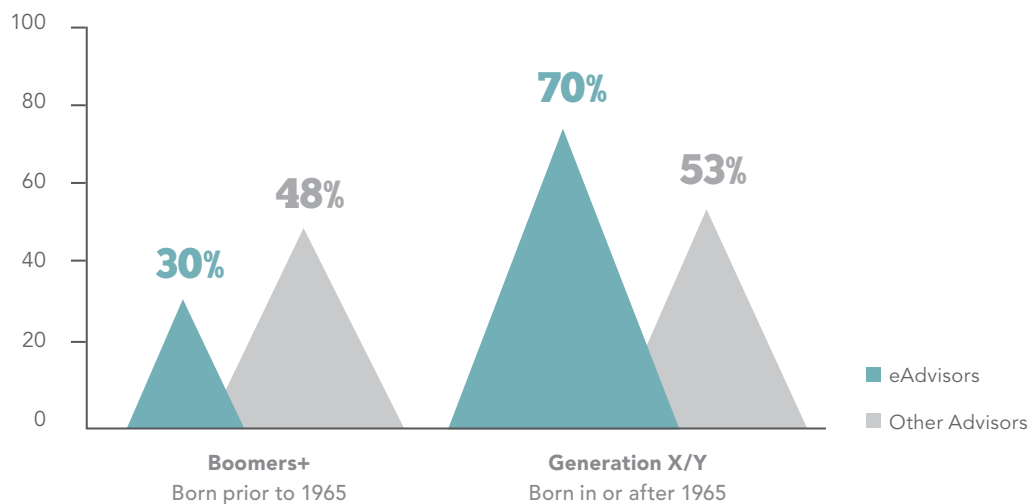
THE HIGHEST PERCENTAGE OF eADVISORS ARE IN RIAs



eAdvisors differ from their peers

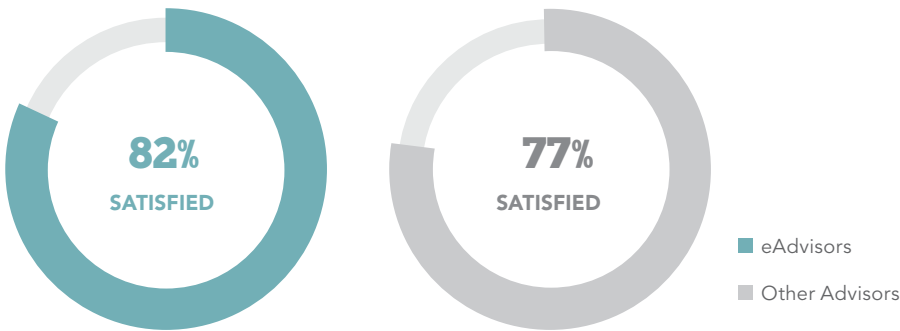
Findings showed that both groups of advisors have been in the business a fairly long time (14.5 years for eAdvisors and 15.8 for others, on average). A larger percentage of eAdvisors are in the Gen X/Y category (average age of 44 versus 48 for others), a segment that has embraced technology to grow their asset base, engage with clients, and become more efficient.

eADVISORS ARE YOUNGER



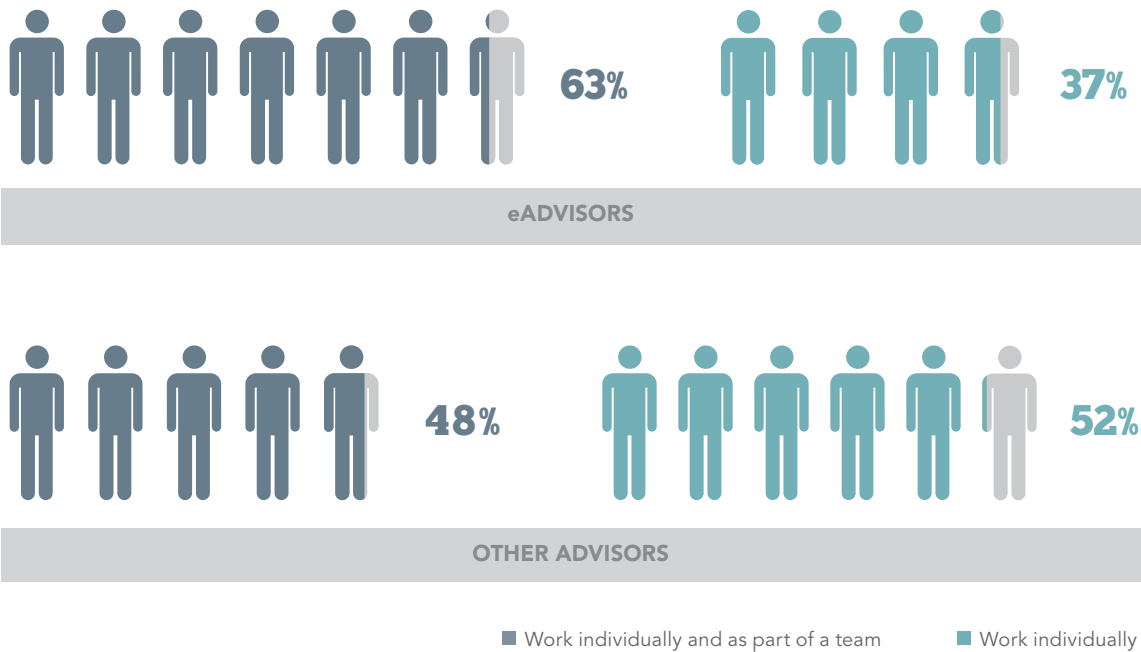
eAdvisors are more satisfied with their careers and, at \$295,000, their average compensation is \$10,000 higher.

eADVISORS ARE MORE SATISFIED WITH THEIR CAREERS



A large percentage of eAdvisors also work in teams, which is a practice that is especially prevalent in Wirehouses and RIAs. Many of these team-based eAdvisors are using customer relationship management (CRM) systems and related capabilities that enable them to easily share client data and other information, helping to support their cross-team relationships and provide better service to clients.

MORE eADVISORS WORK IN TEAMS



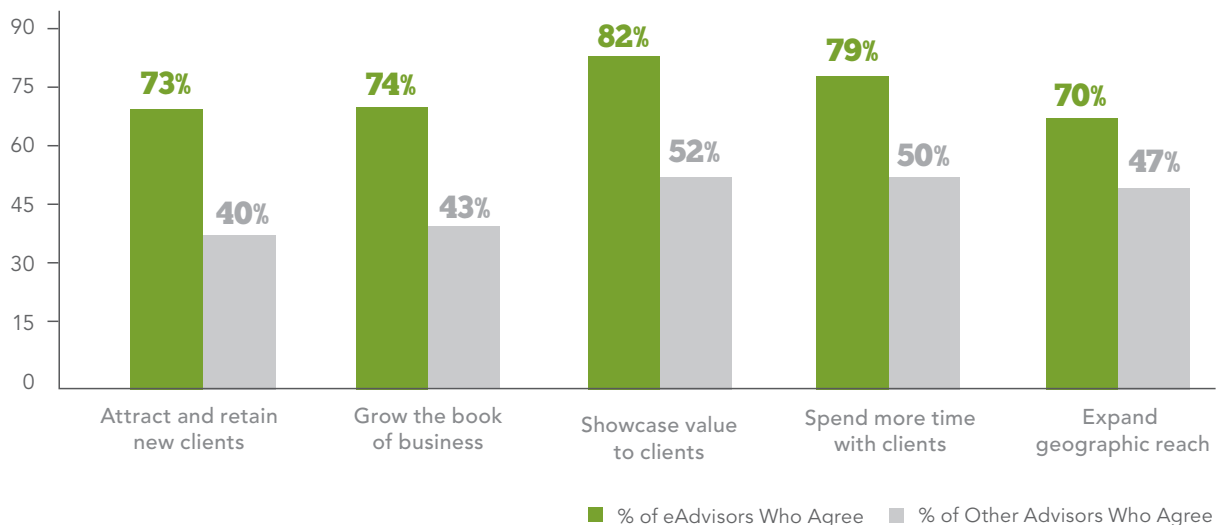


Technology's Positive Impact on Business Results

According to the study, eAdvisors are seeing a positive impact on their client relationships and financial results by using an extensive number of online capabilities.

Almost all eAdvisors (95%) said that online tools have made them more accessible to their clients. A large portion (90%) also pointed out that technology has improved their ability to effectively engage with clients and has enhanced the services they are able to provide. In addition to strengthening client relationships, technology has helped these advisors expand their footprint to serve investors in different geographic locations.

TECHNOLOGY HAS HELPED eADVISORS ENHANCE THEIR BUSINESS



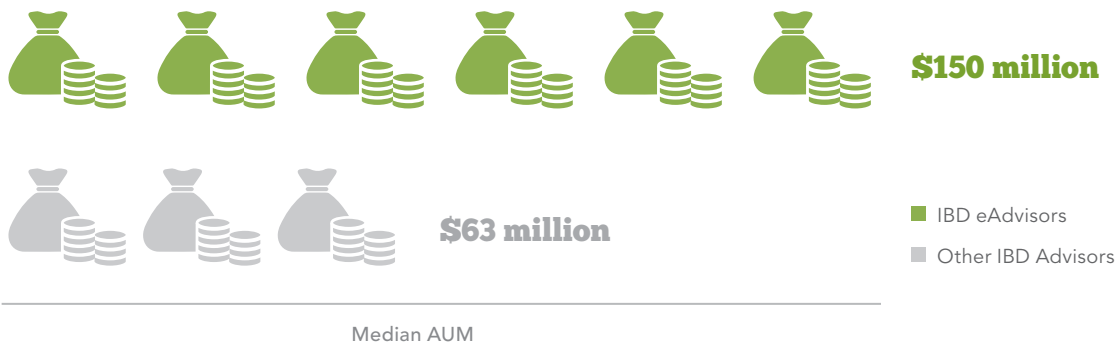
The online habits of eAdvisors are paying off when we look at their business results. They had 55% more clients on average than others and 14% more AUM per client. Their technology focus has also enabled them to serve a higher percentage of Gen X/Y clients, many of whom typically have smaller-sized accounts given their age and life stage.

eADVISORS ARE POSTING BETTER RESULTS

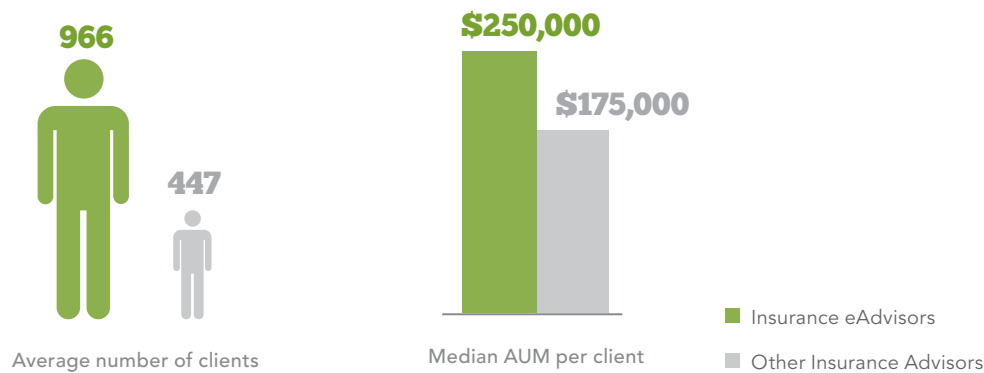
	eADVISORS	OTHER ADVISORS
HIGHER AUM (MEDIAN)	\$88 MILLION	\$63 MILLION
MORE CLIENTS (AVERAGE)	487	315
MORE AUM PER CLIENT (MEDIAN)	\$500,000	\$438,000
MORE GEN X/Y CLIENTS	37%	31%

Looking by channel:

IBD Advisors showed the biggest difference in AUM between eAdvisors and others, perhaps because IBD eAdvisors have been able to attract more millionaire clients than other IBD advisors.



Insurance eAdvisors had significantly more clients than any other advisor group, and significantly more than other Insurance advisors. While their AUM per client was much lower than other channels, it was much higher than other Insurance advisors. Insurance advisors overall also had the highest percentage of Gen X/Y clients, which is not surprising given their lower AUM per client.



eAdvisors across all channels had a higher percentage of clients who were millionaires compared with others in their channel. The difference was most notable with IBDs and Wirehouses.

A HIGHER PERCENTAGE OF eADVISOR CLIENTS ARE MILLIONAIRES^{9,10}

	WIREHOUSE	RIA	REGIONAL	IBD	INSURANCE
eADVISORS	48%	44%	33%	31%	28%
OTHER ADVISORS	39%	40%	30%	21%	20%

⁹Percentage of high value (\$1M+) clients.

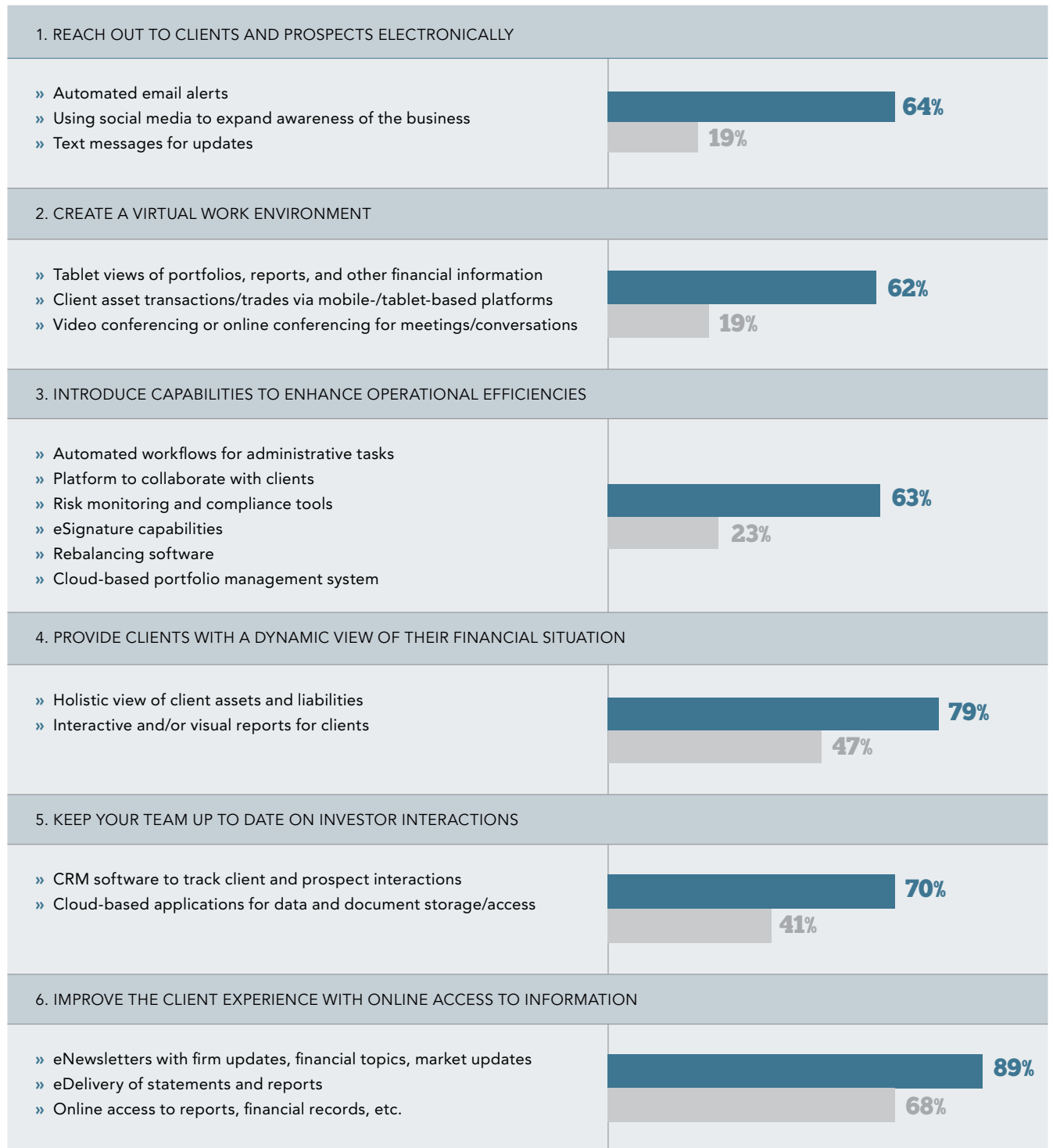
¹⁰Banks are not represented due to the small number of responses.



How to Build an eAdvisor Business

A close look at technology usage by eAdvisors uncovered numerous opportunities for others to introduce additional online capabilities for both client-facing and operational activities.

THE 22 DIFFERENT ACTIVITIES CONSIDERED IN THE STUDY WERE GROUPED INTO SIX OVERARCHING CATEGORIES.

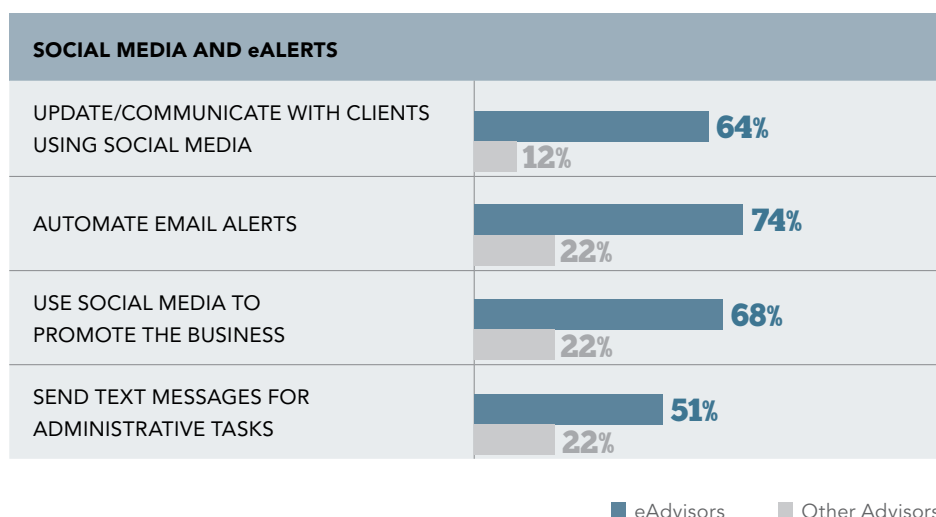


■ eAdvisors Using ■ Other Advisors Using

REACH OUT TO CLIENTS AND PROSPECTS ELECTRONICALLY

Outreach tools are helping eAdvisors stay front and center with clients and prospects. Study findings showed that more eAdvisors have integrated social media and eAlerts into different aspects of their business than others, helping them stay in regular contact with their clients to keep them up to date on developments. They are also using these capabilities to extend their reach to a broader audience of investors to provide information about different investment topics.

TECHNOLOGY USED BY ADVISORS



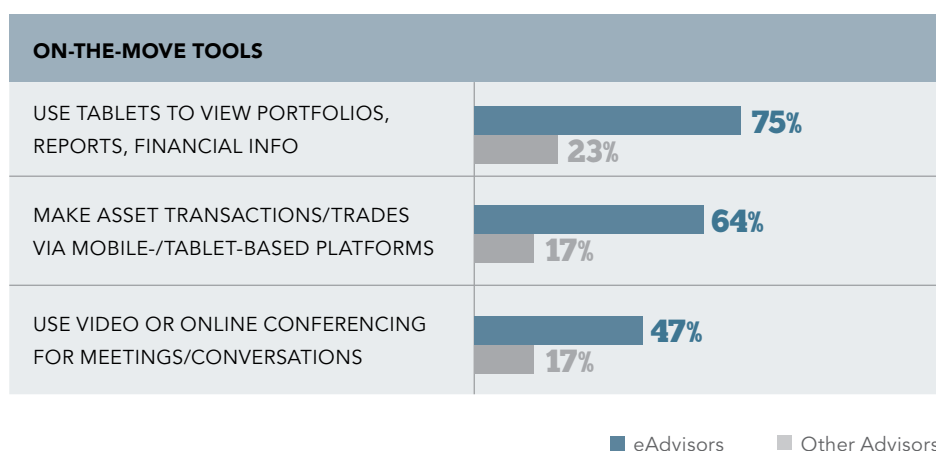
“For me, social media is a way to extend my brand online and connect with other people that I would not easily meet through offline channels.”

– Russ Thornton
Wealthcare Capital Management

CREATE A VIRTUAL WORK ENVIRONMENT

On-the-move tools are helping eAdvisors be productive when they are out of the office. There is widespread adoption of tablets by this group, providing an opportunity to show engaging presentations, perhaps at a client’s home or another convenient location. They are also initiating trades remotely to help quickly respond to important market changes and incoming client requests. And, almost half (47%) are providing the option to have virtual meetings, which is often appealing to younger, time-constrained clients.

TECHNOLOGY USED BY ADVISORS



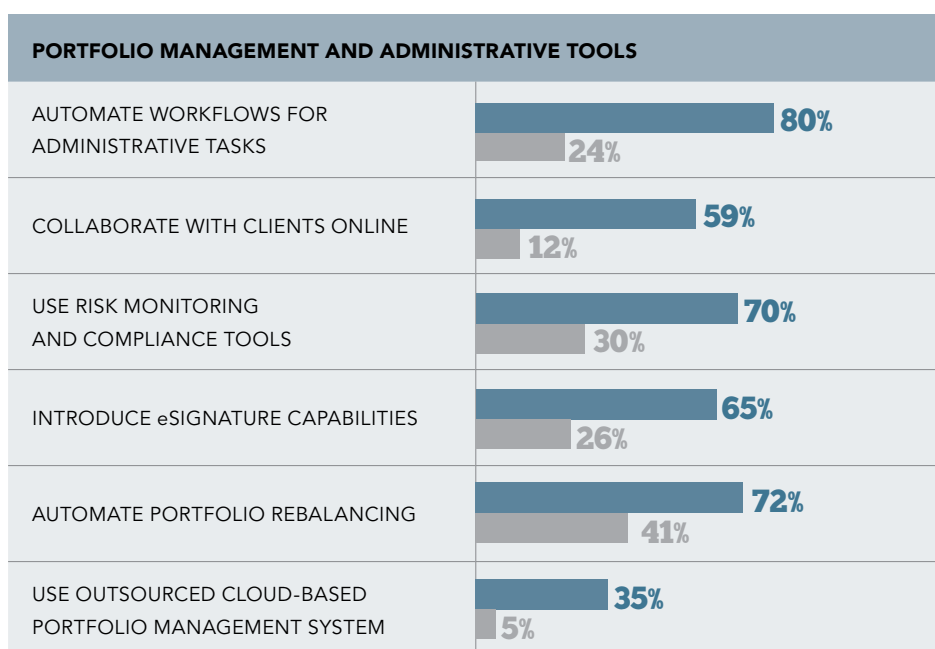
“Things like check deposit on an individual’s phone are becoming everyday activities, so investors are looking to do the same thing with their brokerage account.”

– Jon Bohs, SVP Brokerage Operations
Commonwealth Financial Network

INTRODUCE CAPABILITIES TO ENHANCE OPERATIONAL EFFICIENCIES

Portfolio management and administrative tools are helping eAdvisors streamline daily activities and enhance the client experience. More eAdvisors said they use automated workflows for administrative tasks, which can accelerate turnaround times and introduce efficiencies by having tasks executed in a consistent manner each time they are performed. Rebalancing software is also popular, helping to save time and reduce errors by automatically realigning portfolios with investment objectives. It was also the most widely used activity in this category for other advisors, although without large-scale adoption. eAdvisors have been quicker to embrace cloud-based portfolio management systems as a way to outsource data management and free up internal resources.

TECHNOLOGY USED BY ADVISORS



■ eAdvisors ■ Other Advisors

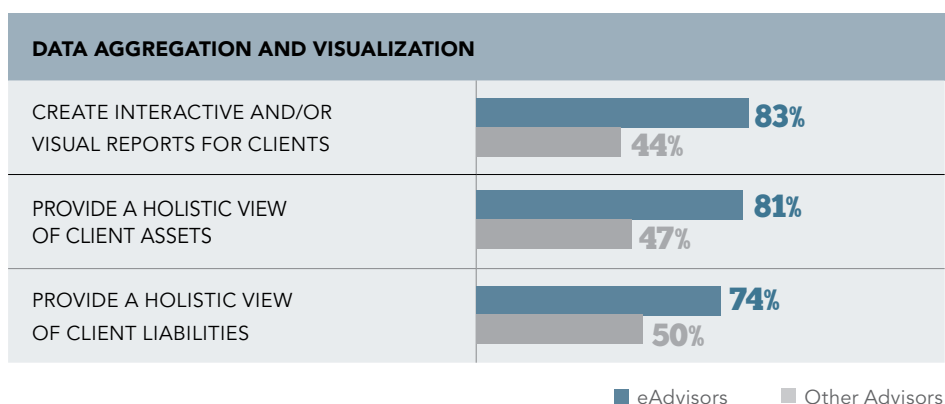
“Our advisors can utilize existing client information to pre-populate forms to open brokerage accounts online leveraging eSignature, as well as rely on our imaging platform to eliminate the need for paper backup.”

— Doreen Griffith
Securities America, Inc.

PROVIDE CLIENTS WITH A DYNAMIC VIEW OF THEIR FINANCIAL SITUATION

Data aggregation and visualization capabilities are deepening planning conversations with eAdvisors by providing clients with a comprehensive financial picture. A large percentage of eAdvisors use online planning tools that aggregate both asset and liability data for clients and complement this with robust simulation, presentation, and reporting capabilities. This helps ensure that investment strategies consider retirement accounts and other assets, and provide the opportunity for more dynamic and collaborative discussions with clients. There was a relatively high level of adoption in this category for others as well, although significantly lower than for eAdvisors.

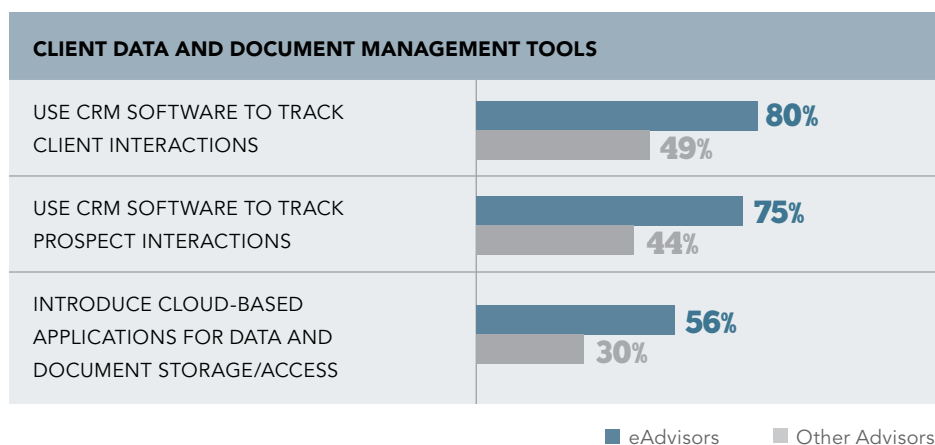
TECHNOLOGY USED BY ADVISORS



KEEP YOUR TEAM UP TO DATE ON INVESTOR INTERACTIONS

Client data and document management tools are putting essential information at the fingertips of eAdvisors. CRM systems are very popular with eAdvisors, providing an up-to-date record of all client and prospect interactions and easy access to essential details to support conversations. Close to half (49%) the peer group uses CRM systems in this manner as well, although a smaller percentage have taken this further by moving to cloud-based systems to complement CRM with document management capabilities. Cloud-based document sharing and vaulting capabilities may be used by some advisors as part of their financial planning package.

TECHNOLOGY USED BY ADVISORS



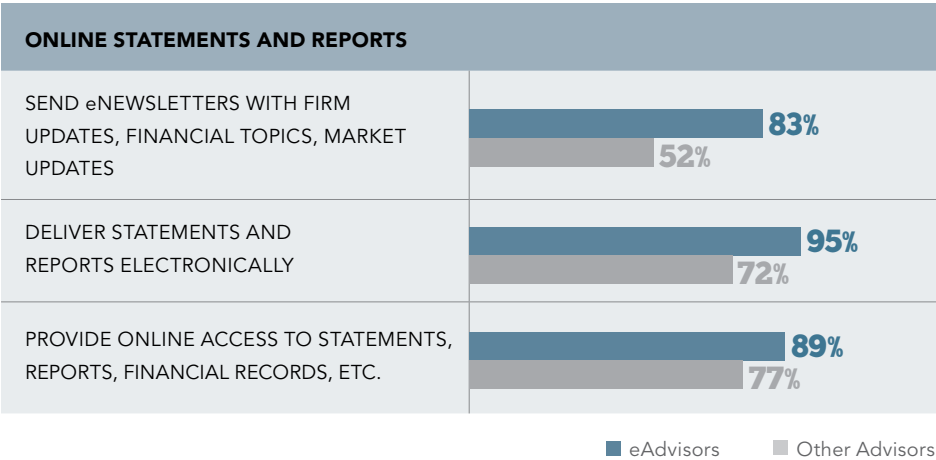
“Our CRM system is the hub of our platform. We like the way it can be shaped to meet our specific needs, and how we can easily share information both internally, as well as externally, with clients and centers of influence.”

— Jake Schutt, Parallel Advisors

IMPROVE THE CLIENT EXPERIENCE WITH ONLINE ACCESS TO INFORMATION

Online statements and reports are giving clients of eAdvisors more efficient access to information. The three activities in this category have gained the most traction with both groups of advisors, helping to reduce their workloads and reliance on paper, while also enhancing the client experience. Both groups had high levels of adoption for eDelivery and online access to statements and other financial information.

TECHNOLOGY USED BY ADVISORS



“We sign up our clients for electronic delivery by default. It’s easy to do and supports our paperless strategy aimed at promoting efficiencies and reducing errors and costs.”

– Jake Schutt, Parallel Advisors

Looking by channel:

A higher percentage of Insurance eAdvisors said they use outreach tools than other Insurance advisors, in particular social media and email alerts. This may be helping them effectively communicate with large numbers of clients and promote the business to prospects. A higher percentage of Wirehouse eAdvisors said they use outreach and on-the-move tools than other Wirehouse advisors, in particular email alerts and tablets for client meetings. They may be using more frequent and compelling forms of communication to better serve a larger base of high-net-worth clients.

LARGE DIFFERENCES EXIST ACROSS CHANNELS (PERCENTAGE POINT DIFFERENCES BETWEEN eADVISORS AND OTHERS, AVERAGE)¹¹

	IBD	INSURANCE	REGIONAL	RIA	WIREHOUSE
SOCIAL MEDIA AND eALERTS	40	50	44	37	49
ON-THE-MOVE TOOLS	42	35	47	39	49
PORTFOLIO MANAGEMENT AND ADMINISTRATIVE TOOLS	38	46	41	36	38
DATA AGGREGATION AND VISUALIZATION CAPABILITIES	31	35	32	26	36
CLIENT DATA AND DOCUMENT MANAGEMENT TOOLS	30	24	35	31	31
ONLINE STATEMENTS AND REPORTS	21	22	22	20	24

¹¹Banks are not represented due to the small number of responses.

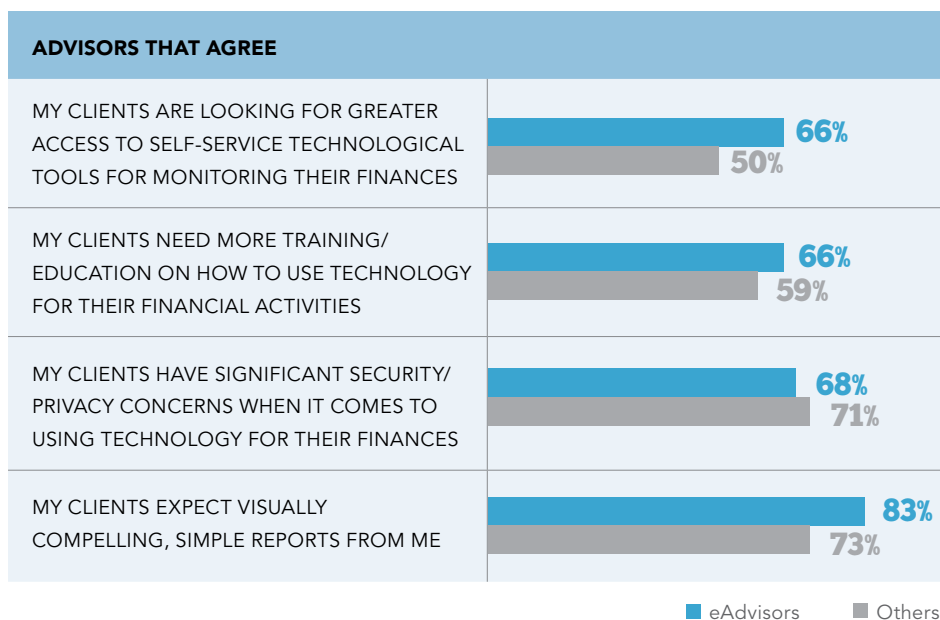


Considerations before Moving Ahead

If you plan to take steps to become an eAdvisor, be aware of some of the issues you may have to address.

The study showed that both groups of advisors felt more training and education were needed to help clients better understand how to use different online tools. In addition, they pointed out that security concerns may hinder investor adoption. Given this, it may be helpful to slowly introduce new capabilities to clients, have clear instructions on how to use them, and show the benefits they can receive. For example, before sharing any personal information online, some advisors have started with eDelivery of prospectuses so clients could see how the process worked and experience the benefit of eliminating paper overload.¹²

ADVISOR PERCEPTIONS AROUND TECHNOLOGY CHALLENGES



You should also recognize that the gap between eAdvisors and others continues to grow as eAdvisors look to continually evolve their business. Approximately two thirds (64%) are finding and implementing better technology, and over one quarter (27%) said they were looking to engage with third-party providers to expand their offering. This might include providers of online investment tools to help position the team well vis-à-vis digital advice platforms.

In the end, there will be different avenues you might pursue to become an eAdvisor. The route you choose will depend on your organizational culture, current technology infrastructure, growth strategy, and client preferences. Whatever steps you consider, taking action now may be critical to stay relevant in the evolving environment and to experience the many benefits eAdvisors are seeing today.

¹²“Delivering the Paperless Office: Five steps to help improve efficiencies and reduce costs at your firm,” Fidelity Investments, October 2015.



For more information about how Fidelity can help your office use technology more effectively, please contact your Fidelity Representative. For additional insights and research from Fidelity, please visit go.fidelity.com/insightsonadvice.

For investment professional or institutional investor use only. Not for distribution to the public as sales material in any form.

The information contained herein is as of the date of its publication, is subject to change, and is general in nature. Such information is provided for informational purposes only and should not be considered legal, tax, or compliance advice. Fidelity does not provide legal, tax, or compliance advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Federal and state laws and regulations are complex and are subject to change. Laws of a specific state or laws that may be applicable to a particular situation may affect the applicability, accuracy, or completeness of this information. This information is not individualized, is not intended to serve as the primary or sole basis for your decisions, as there may be other factors you should consider, and may not be inclusive of everything that a firm should consider in this type of planning decision. Some of the concepts may not be applicable to all firms. Always consult an attorney, tax professional, or compliance advisor regarding your specific legal, tax, or regulatory situation. Fidelity does not provide advice of any kind.

The third-party companies referenced herein are independent and unaffiliated with Fidelity Investments. There is no form of legal partnership, agency, affiliation, or similar relationship among the third-party service providers and Fidelity Investments, nor is such a relationship created or implied by the information herein.

Third-party trademarks and service marks are the property of their respective owners. All other trademarks and service marks are the property of FMR LLC or its affiliated companies.

Fidelity Family Office Services is a division of Fidelity Brokerage Services LLC, Member NYSE, SIPC.

Fidelity Clearing and Custody provides clearing, custody, and other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC.

200 Seaport Boulevard, Boston, MA 02210

Fidelity Investments Institutional Services Company, Inc., 500 Salem Street, Smithfield, RI 02917

© 2015 FMR LLC. All rights reserved.