



WHITEPAPER

The Next Level In Wealth Management: Positioning Your Business To Grow

| MAXIMIZER WEALTH MANAGER



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Wealth Manager

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The current economic environment is opening up opportunities for small wealth management practices seeking to grow into medium sized firms. The question is how to take your business to the next level by increasing assets under management and revenue growth. In this whitepaper, we look at small firms' prospects in the marketplace and what they need to get a leg up on bigger players while mirroring the habits of top financial advisors. Organization, systemization, and technological capability – particularly a specialized Customer Relationship Management solution – are all part of the winning formula for creating closer bonds with clients, improving efficiencies and gaining an edge on competitors.

Introduction: Structuring Your Business For Growth

Wealth management promises to be a thriving if competitive market over the next few years, with many smaller practices taking on the bigger players in a push to grow their Assets under Management (AUM) and generate higher revenues. A range of factors are fueling wealth management growth, including: the front end of the baby boom generation transitioning into retirement; the last of baby boomers entering their 50s and the home stretch of their careers; people working longer than ever. Additionally, as the recession of the late 2000s has stretched into a prolonged period of slow economic growth, interest rates on savings have bottomed out, investment returns have lagged behind previous rates and regulatory restrictions have tightened. All this has made the planning of retirement funds, investments, insurance, mortgages, children's educations, inheritance, tax management and other financial matters a greater challenge than ever before for many people.

Research shows that the financial services industry is booming in the face of this change and uncertainty. According to an independent study commissioned by Maximizer Services Inc. last year, 92% of North American financial advisors grew their AUM in 2013 and 96% projected positive growth in 2014.¹ The report, based on a survey of more than 900 advisors in the US and Canada, showed that

92% OF NORTH AMERICAN FINANCIAL ADVISORS GREW THEIR AUM IN 2013 AND 96% PROJECTED POSITIVE GROWTH IN 2014.

¹ Key Trends in Wealth Management Business Practices, Maximizer Services Inc., 2014

62% of firms saw double-digit AUM growth in 2013, with a similar proportion estimating the same level of growth in 2014. A 2013 InvestmentNews/Moss Adams study found that revenues for financial advice firms had grown at a 19% clip over the previous 10-year period.² In addition, a study by Capgemini and RBC Wealth Management shows that the number of high net worth individuals in North America grew by 16% in 2013, following a 12% increase in 2012. The research also showed that the confidence these individuals have in the wealth management industry surged globally in 2014, with roughly three-quarters expressing high levels of trust in 2014, up from 61% the year before.³

All this signals that there are great opportunities for wealth management firms to take advantage of, but the market remains intensely competitive with the global giants thriving, and smaller, independent firms looking for ways to keep up and carve out their own share of the growth. The top 209 global wealth management firms saw AUM grow by 20% on average in 2013, more than double the previous year's rate, according to a study by wealth management market research specialist Scorpio Partnership.⁴ It is not, however, a straightforward matter for many smaller, independent financial advisor practices to simply punch above their weight or scale up quickly to take on a much larger AUM load. Most are simply not set up for rapid and substantial growth.

There are foundation blocks that smaller firms need to put in place to make the leap to a medium-sized business capable of taking more assets under management, expanding staff numbers, attracting successful new partners and increasing revenues. The key elements necessary to foster substantial practice growth include effective organization, systemization, automated processes, an adequate technology budget, a productive approach to marketing, and tools that enable wealth management firms to evaluate and adjust performance – including a properly configured Customer Relationship Management (CRM) platform. Establishing these would position the owner or management team to scale up for expansion and achieve a level of growth the firm can absorb and sustain.



² Bruce Kelly, Financial Advice Firms Soar, InvestmentNews, 6 October 2013

³ The World Wealth Report, Capgemini Financial Services and RBC Wealth Management, 2014.

⁴ Giles Broom, UBS Keeps Top Spot in Ranking of World's Wealth Managers, Bloomberg, 17 July 2014

CRM is critical to achieving the type of close and proactive client relationships necessary for smaller firms to level the playing field between themselves and much bigger operators. To take its business to the next level, a firm must ensure it has a CRM platform that can evolve with the company, and help all advisors and support staff do their jobs better. The small or independent firm needs a CRM system that is scalable, flexible, accessible (anytime, anywhere via a variety of devices) and secure – and, critically, a solution tailored to meet the very specific needs of a wealth management business, so that it can establish a level of customer intimacy that the bigger, impersonal, less nimble firms cannot.

Emulating The Practices Of Top Advisers To Compete More Effectively With Bigger Players

In becoming an organized and systematized wealth management business, your firm is taking the first step towards establishing the methodology and structure of a top financial advisor. According to the research commissioned by Maximizer last year, entitled Key Trends in Wealth Management Business Practices, top financial advisors – defined by client and revenue growth as well as advanced use of technology and CRM – have an average customer attrition rate of 1% while all advisors on average have a rate of 12% (10% in Canada and 17% in the US). Top advisors, which make up just over 20% of the total, also outperformed their competitors in terms of AUM growth.

For smaller and independent firms, stemming attrition is critical to establishing upward AUM growth, so that they are adding to their existing client base with each new business signing rather than simply replacing churn. The Key Trends survey findings showed that more than a quarter of all financial advisor firms have less than \$20 million in AUM, with Canada having a much higher proportion of practices with smaller client asset bases – highlighting both the challenges and opportunities in the marketplace. The research also revealed that more than half of all firms are run by solo advisors – 53% overall and 60% in Canada – and close to 90% have five or fewer advisors and similarly small support staffs. These are the companies that face the

KEY TAKEAWAYS

While the size and business structure of the investment advisors participating in this study differ substantially, their interests remain fairly consistent. Reducing attrition rates, dealing with regulatory complexities, and investing sensibly in technology are of primary importance to these businesses, according to the study. The confidence that advisors have when confronting these challenges should translate into a bullish 2014 for advisors in the US and Canada.

Maximizer will be publishing additional insights from the research on our blog. You can find the articles here, or subscribe to ensure that you get all the latest updates.

biggest hurdles in terms of company infrastructure when it comes to positioning themselves for growth.

Undoubtedly, a high proportion of these companies have room to grow, provided they find ways of holding on to their clients while still attracting new business. The figures clearly show that top advisors retain clients, and critical to accomplishing this is continually investing in the technology necessary to maintain an edge over larger competitors. Having the right technical infrastructure in place provides an organizational anchor for small firms seeking to model themselves after top advisors, with better efficiency and workflow enabling more assets per advisor. The Maximizer research showed that 56% of top advisors boosted their technology budgets in 2014 versus 22% of those not in the top echelon. This is a key point. Investment in meaningful technology, particularly CRM, plays an essential role in the success of top advisors. For those small and independent firms aspiring to become top advisors while growing their business, having an advanced CRM solution configured specifically for their needs enables them to leverage their one advantage over the big banks and other wealth management giants: a more personalized and tailored approach to clients.

The Value Of Building Bonds With Clients

Clearly customer retention is critical to establishing business growth – otherwise you are using much of your resources and effort simply to support a churn cycle, and remain largely in a holding pattern. Forging strong relationships with existing clients is absolutely fundamental to not only curtailing attrition, but winning new business and putting your business on a growth path. According to research done by Phoenix Marketing International and Cerulli Associates, dissatisfaction with current and previous provider relationships is the main reason 19% of investors left their previous providers, while in a more positive way 39% said they jumped to their current provider based on the promise of a better relationship.⁵

An increasing number of Wealth Management firms are catching on to the importance of keeping their clients happy

**TOP FINANCIAL ADVISORS –
DEFINED BY CLIENT AND REVENUE
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USE OF TECHNOLOGY AND CRM
– HAVE AN AVERAGE CUSTOMER
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ADVISORS ON AVERAGE HAVE A
RATE OF 12%**

⁵ The “Greater” Wealth Transfer Capitalizing on the Intergenerational Shift in Wealth, Accenture, 2012

and loyal in order to position themselves to build a bigger business with more AUM and higher revenues. A 2014 Aite Group report found that wealth management firms rank “improving customer experience” as their top priority in the coming year ahead of, in order, “attracting new clients”, “retaining advisors/attracting new advisors”, “meeting regulatory compliance” and “reducing costs/improving efficiency”.⁶ Ranking “improving customer experience” ahead of other priorities, however, means nothing unless advisors set up their operations for growth and that, in most cases, requires taking their organizational capabilities up a notch – or several.

The Importance Of Being Organized And Systematized

Strong organization is central to positioning a small business to grow to a medium one – or bigger. Bringing the company’s organizational capabilities to the next level enables you to improve efficiencies, build stronger bonds with clients and attract partners that bring in desired capabilities and share the same aims. The future independent wealth management advisor needs to become a highly organized knowledge manager at the core, able to easily access precise information on a client at the right times in order to establish a stronger rapport and capitalize on opportunities as they present themselves.

Organizing client knowledge and tracking ongoing interactions in a systematic way not only provides the means to cultivate this greater level of customer intimacy but makes the firm more effective in serving its clients. Having common, repeatable, automated, accessible systems and processes in place also improves efficiency and mitigates risk – both in terms of customer satisfaction and compliance. For instance, systematizing client on-boarding and the capture of information can reduce risk of inaccuracy and ensure that customers do not become frustrated by repeated requests for the same details. It can also ensure that all the correct steps are taken as each client is brought on board and at every stage of development in the relationship – with successive actions noted and and logged (so that the information can be reviewed or audited at any stage if



⁶ 2014 North American Wealth Management Technology Survey: Attitudes, Approaches, and Trends, Aite Group, 2014

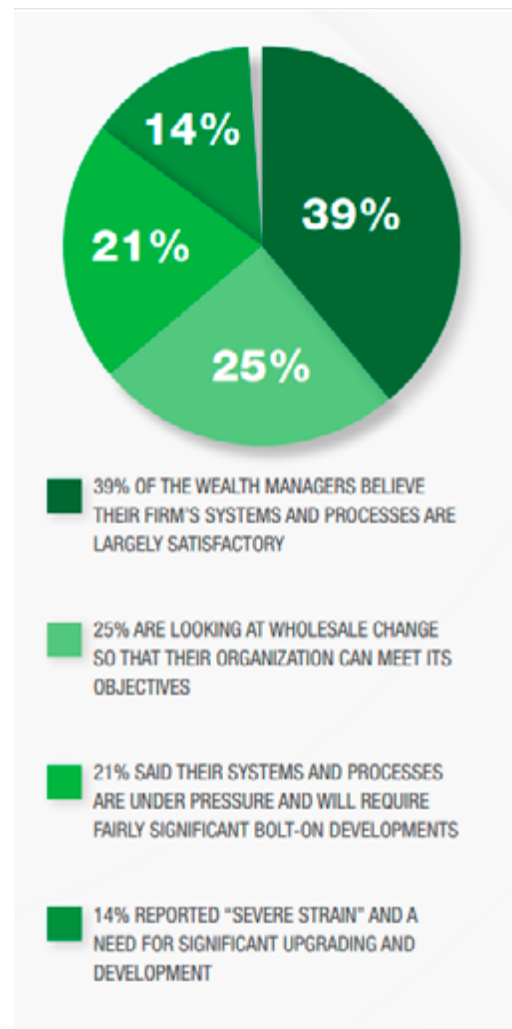
necessary). This ensures that nothing gets lost or overlooked due to human error or simple disorganization, and that the clients' wishes are always recorded and available for evaluation.

Recent research indicates, however, that too few wealth management firms have effectively systematized their procedures and workflow. A 2014 report by WealthBriefing reveals that just 39% of the wealth managers believe their firm's systems and processes are largely satisfactory on a two-year view, while the majority hold a negative view: 25% are looking at wholesale change so that their organization can meet its objectives, 14% reported "severe strain" and a need for significant upgrading and development, and 21% said their systems and processes are under pressure and will require fairly significant bolt-on developments.⁷

Furthermore, while effectively automating workflow would seem to be absolutely essential in an industry in which precision, compliance and risk are all such critical factors in the day-to-day running of the business, the Key Trends data revealed that most firms have yet to automate their workflow in many crucial areas: just 22% have done so for client on-boarding, 38% for account opening, 21% for client follow-up and 27% for email marketing. Additionally, research by PwC showed that wealth management firms view "too many manual processes" as by far the leading challenge for operations and technology infrastructure, and while the survey also found that 54% were optimistic that they would achieve predominantly common processes and automation within next two years,⁸ without CRM and other technology aimed at systematizing workflow most will find it hard to succeed.

Why CRM Is Critical In Today's Wealth Management Marketplace

A properly configured CRM solution provides the platform wealth management firms need to successfully automate and standardize processes – and ultimately cement strong relationships with clients and build an impressive overall reputation. It enables a wealth management practice to capture data that is secure, accessible and searchable,



⁷ Technology and Operations Trends in the Wealth Management Industry, WealthBriefing, 2014

⁸ Future wealth management winners and losers will be defined by how they navigate change while struggling to regain client trust and profitability, PwC, 26 June 2013

building a 360-degree view of each client that enables the firm to organize all communications and interactions for each one. It also enables partners and managers to monitor the key performance indicators such as sales follow-up, pipeline, deal progression, close ratios and other tasks that are integral to building the business.

CRM systematizes and streamlines by providing a single platform for organizing:

- every task, appointment and activity
- financial profiles of client assets and investments
- templates and workflow
- dashboards and reports to monitor metrics
- team collaboration and task management
- marketing campaigns and client communications.

A CRM solution pre-configured for wealth management firms, which comprises features and customization options designed specifically for financial advisors, can make organizing and standardizing the operations of a practice even more straightforward and easy-to-implement. With a specific financial services/wealth management CRM solution, advisor practices can have built-in capability to track financial history, flag key dates and deadlines, record all client interactions and tasks, group information on whole households, categorize interactions for easier reference, and generally ensure that all activities a wealth management firm undertakes are managed within its CRM software. This type of specialized CRM system also automates the logging of advice and transaction records, so that financial advisors can demonstrate they have been following client wishes at each and every stage.

For a wealth management practice, this tailored functionality means that nothing falls under the radar and instead each financial advisor can be proactive rather than reactive. Financial services-specific CRM software ensures that each advisor knows when key birthdays of either clients or their children – 18, 65 and 71 – are coming, the due dates on investment and tax reviews, retirement deadlines, ID expirations and other life events that the practice needs



to stay on top of to impress the customer. What's more, it puts personal information such as wedding anniversaries, children's progress through the school system and other household particulars at each advisor's fingertips so that during client meetings and calls, he or she can establish a level of customer intimacy that the bigger, faceless players just would not drill down to.

It is important for the principals in any wealth management firm to understand where and how the business can be grown, and have the capability to execute a strategy for doing just that. This means providing the right level of service to each client to ensure profitability, retaining the business of profitable clients, and cultivating referrals from clients via excellent service, marketing effectively to potential clients and generally building a positive reputation. With all client information pulled together on one platform and available for analysis and appropriate action, firms can more effectively target the right clients and provide them with a consistently positive customer experience. Having the right CRM is critical to achieving this – and wealth management firms that have a CRM platform configured to meet their needs stand a better chance of competitive advantage in these areas than firms that have one, or one that is a poor fit.

A key to leveraging CRM for growth is to have a solution in place that enables you to stem attrition. If too much of your activity and marketing investment is focused on simply replacing departing customers, then you are stunting your growth rate and impairing your ability to transform your business from a small to medium player. General business research supports the view that client retention is critical to continuing growth: Bain and Company has calculated that just a 5% increase in retention can translate into a 75% increase in revenue.⁹ And CRM enables firms to reduce attrition: the Key Trends survey revealed that 69% of the advisors using CRM had an annual attrition rate of 5% or less.

Wealth management and other financial services firms are cottoning onto the importance and value of CRM. A survey by research firm Aite Group showed that more than 60% of independent advisers now use a CRM application, and

20% OF THE COMPANIES HAVE NO ACCESS TO CRM AT ALL – AND THOSE WERE ALL FIRMS WITH UNDER 20 EMPLOYEES. OF THOSE THAT DO, JUST 40% WERE PLANNING TO UPGRADE.

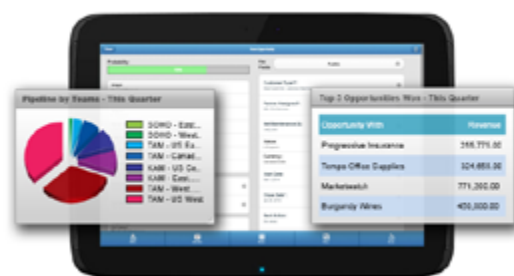
⁹ Alex Lawrence, Five customer retention tips for entrepreneurs, Forbes, 01 November 2012

projects that in 2015 they are expected to spend 35% more a year on CRM than they did in 2010.¹⁰ A survey by Schwab Advisor Services found, however, that fewer than a fifth of financial advisors believe their firms are doing the most they can with CRM technology: only 18% of the 1,600- plus independent advisors surveyed gave a grade of “A” to their firms for their use of CRM technology, while 72% gave their firms “B” or “C” grades.¹¹

But many wealth management companies either do not have CRM or are failing to take advantage of it, research shows. The Key Trends report reveals that 20% of the companies have no access to CRM at all – and those were all firms with under 20 employees. Of those that do, just 40% were planning to upgrade – leaving many with old and inadequate functionality, and highlighting just how significantly some wealth management firms will be outgunned by competitors unless they act to improve their CRM technology. Even worse, additional research gathered along with the data used in that study shows that 31% of the North American financial advisors surveyed listed “Paper Notes/Rolodex/ Sticky Notes” among their three leading tools for managing customer relationships, while 12% enumerated “I keep it all in my head” as a top means of doing so. The added results also show that 77% named “CRM software” as one of their top three tools – in other words, nearly a quarter did not. That means a major proportion of wealth management practices have no CRM solution – or in some cases any other kind of technology – in place to help them organize and systematize their operations and are really in no position at all to grow their business.

Getting The Most Out Of Employees

CRM is one critical element of effectively organizing and systematizing a wealth management practice; the other is the human capital side of the equation. Certainly systematizing and automating client on-boarding, capture of new information and other manual processes can reduce the risk of inaccuracy and failure to achieve compliance standards. It also ensures that clients do not become frustrated by repeated requests for the same details.



¹⁰ Thomas Coyle, Advisers start appreciating CRM systems, Wall St Journal, 15 November 2011

¹¹ Karen Demasters, Financial advisors are vastly underusing CRM technology, Financial Advisor, 26 September 2012

Unfortunately, research indicates that many firms have to take steps to ensure they get the most out of their CRM technology. A 2014 survey by the Financial Planning Association reveals that as many as 61% of advisers who pay for CRM systems don't even use them in a most basic and useful way: to capture notes from client conversations.¹² An earlier survey by Schwab showed that 43% of financial advisers said it is a challenge to get employees to use CRM technology; 25% believed education and training would increase usage and 28% thought having a better understanding of their CRM's capabilities would help staff make better use of it.¹³

Getting employee buy-in, training them to use the platform effectively and ensuring that the system you choose has tangible benefits to the business – and to them in their jobs – is crucial to reaping the benefits of CRM; thus, it is absolutely essential to get a system configured with the functions and added features that financial advisers and their employees need to be more productive, build better customer relationships and manage more assets more profitably. Including staff members, whether advisor or support employees, in the decision-making process of selecting and configuring a CRM solution helps engage the people who will be using it and bring them on board by getting their input on the functions they need and would use. Training them on how to use it effectively and set up their individual preferences will further aid the process of integrating CRM into the very fabric of your business.

One feature that wins over today's digital savvy wealth management professionals is mobility, which allows them to work effectively whether in an airport, hotel, coffee shop, at their home or even at a client's kitchen table, with all the salient customer information at their fingertips. Mobile solutions can help advisers connect with younger clients – an important target market for companies aiming to open as many growth paths as possible – who are accustomed to communicating 24/7 and doing business via tablets, smartphones and other portable devices. Indeed, 75% of advisers polled in the recent Schwab Investment Advisor Outlook Study say they believe the “Generation Now” investors will come to expect an anytime, anywhere service

31% OF THE NORTH AMERICAN FINANCIAL ADVISORS SURVEYED LISTED “PAPER NOTES/ROLODEX/ STICKY NOTES” AMONG THEIR THREE LEADING TOOLS FOR MANAGING CUSTOMER RELATIONSHIPS, WHILE 12% ENUMERATED “I KEEP IT ALL IN MY HEAD”

¹² Robyn Post, Software can help financial advisers boost their business, Reuters, 7 November 2007

¹³ Karen Demasters, Financial advisers are vastly underusing CRM technology, Financial Advisor, 26 September 2012

model, and therefore wealth management practices need to be plugged into mobile and cloud technologies to reach these customers¹⁴ – making remote CRM access an essential prerequisite to future growth for any firm looking to bring on increasing numbers of younger clients and employees in order to reach the next level.

Conclusion: Systemization Provides The Foundation For A Bigger Tomorrow

In summary, systemizing the processes, workflows and practices of a wealth management firm by adopting a comprehensive CRM solution with the right functionality allows it to then lay the cornerstones of a more customer-focused business. These include:

- client knowledge, which is critical to fostering customer intimacy;
- employee productivity, due to less time and resource spent on administration and fruitless information searches, leaving more client face time;
- guaranteed compliance due to standardized processes and secure, auditable records.

This higher level of organization, supported by technology, lifts the overall efficiency and reputation of a wealth management firm. The result, particularly for small and independent players, is a more competitive practice that can punch above its weight by providing a more personalized service when challenging bigger, less intimate competitors. Having the most advanced CRM technology keeps employees engaged and armed with the tools they need to support the level of efficiency and customer intimacy a smaller firm needs to build its AUM and company size. Creating this caliber of professional, well-run and respected enterprise will attract not just better employees and desirable clients, but also strong partners who bring new skills and healthy books of business to the practice, further enhancing the ability of your Wealth Management firm to grow.

61% OF ADVISORS WHO PAY FOR CRM SYSTEMS DON'T EVEN USE THEM IN A MOST BASIC AND USEFUL WAY: TO CAPTURE NOTES FROM CLIENT CONVERSATIONS

¹⁴ How technology is transforming financial advice: Schwab's Hathi, Investment News, 28 July 2014

About Maximizer

Maximizer CRM is fueling the growth of businesses around the world.

Our CRM solutions come fully loaded with the core Sales, Marketing and Service functionality companies need to optimize sales productivity, accelerate marketing and improve customer service. With flexible on-premise, our cloud and your cloud deployment options, tailored-to-fit flexibility, state-of-the art security infrastructure, industry-specific editions and anywhere/anytime mobile access, Maximizer is the affordable CRM solution of choice.

From offices in North America, Europe, Middle East, Africa and AsiaPac, and a worldwide network of certified business partners, Maximizer has shipped over one million licenses to more than 120,000 customers worldwide.



AMERICAS (HEAD OFFICE)

Maximizer Services Inc.

208 West 1st Avenue
Vancouver, BC
V5Y 3T2 Canada

Sales +1 800 804 6299

Phone +1 604 601 8000

Email info@maximizer.com

Website www.maximizer.com

EUROPE / MIDDLE EAST / AFRICA

Maximizer Software Ltd.

1 The Courtyard, Eastern Road
Bracknell, Berkshire
RG12 2XB United Kingdom

Phone +44 (0)1344 766 900

Email enquiries@maximizer.com

Website www.maximizer.com/uk

AUSTRALIA / NEW ZEALAND

Maximizer Software Solutions Pty. Ltd.

Level 1, Suite 14, 32 Delhi Road
North Ryde, New South Wales
2113 Australia

Phone +61 (0)299 572 011

Email info.anz@maximizer.com

Website www.maximizer.com/au

WWW.MAXIMIZER.COM