

The Future of Wealth Management

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Banks have been under pressure to increase fee-based income to improve their revenue and profit targets. Wealth management is an important income generator, but this segment has been under pressure from accelerated digitization, changing customer demographics, and some macro environmental changes. Changing the investor approach to wealth management is also significantly impacting the sector. As regulatory frameworks continue to evolve and competition continues to increase, traditional banks are feeling the pressure on their wealth management business lines. At this juncture, they need to up their innovation quotient with a rethink on traditional cost structure, advisory and distribution methods.



Changing Business of Wealth Management Across the World

Wealth management markets around the world are experiencing significant disruption. In the US, wealthtechs are introducing innovative new offerings and services forcing larger players to either do the same or acquire new entrants to access their technology assets. Europe has always had domestic wealth managers and mass market financial services providers. It is now moving to hybrid servicing models that combine human and digital capabilities along with automation and self-service channels. Africa's underserved market is also witnessing increased use of digital services to improve efficiency and enhance customer experience.

The APAC region has recorded an 8 percent growth in high net worth (HNW) market in recent years, and this segment is expected to reach US 21 million by 2024.

The region's younger population is becoming wealthier, and they prefer personalized services as they are less investment savvy. Retail investors prefer a high touch hybrid model of service from wealth advisors and there is growing demand for advice on new products available globally like crypto currencies, Shariah compliant investment, sustainable investing, alternate assets, and ethical investments. Many big tech players are also entering APAC markets with innovative low-cost value-added products and services.

Transforming Wealth Management Strategies

In face of such disruption banks, must build or acquire state-of-the-art wealth management infrastructure that can support automation, algorithm-based advisory services, robo-advisors and facilitate omni-channel access to services for clients. The advisory platform must ensure improved customer experience and make the process of investment accessible to a larger section of people at affordable prices. Above all, the platform must leverage cutting-edge technologies like big data, Artificial Intelligence, and advanced analytics to manage client risk.



Big Data



Artificial Intelligence



Advanced Analytics

Banks must also focus on transforming their advisory service models to a goal-based approach that delivers on the hyper-personalization promise. Wealth maximization as an investment strategy is giving way to milestone-based planning, that may include short term goals like going on a vacation as well as long term ones like retirement planning. The segment is increasingly using algorithms to help personalize products and services and manage multiple goals simultaneously. The growing HNW segment in the APAC will need a dedicated team of experts to fulfil their increasing demands ranging from tax management, trust, and estates to investment management. As financial markets get increasingly complex, so will the risks. And often, the complexity of the product masks the risk involved. There is a need for unbiased well-informed advisors – human, digital, or both who can provide a holistic view of the products and guide investors to achieve multiple, even conflicting, goals.

Over the last few years multiple alternate investment options have emerged. These include crypto currencies, structured debit, commodities, and hedge funds. Ultra-high net worth individuals (UHNW) are moving part of their assets to digital options to diversify their portfolio risk. There is also a rise in the use of non-fungible tokens (NFTs) to tokenize the real-world tangible assets that makes it more efficient to buy, sell and trade while reducing the probability of fraud. Banks must build expertise in these new areas to keep up with changing customer needs. Advancement in technology has made information readily accessible for all classes of investors. As a result, more retail investors will be willing to move beyond traditional asset classes that give sub optimal returns and will expect their wealth managers to help them explore new options. And new asset classes will bring with them new and evolving regulations which banks must comply with. There is also increasing interest in sustainable asset classes. Technology helps in analyzing the underlying asset being held and investors are keen to invest in companies with sound ESG strategies. This also requires wealth managers to be well informed and capable of educating investors to build a sustainable investment portfolio.



Technology Transformation for Better Customer Experience

Like all other aspects of banking, wealth management organizations must also ensure superlative customer experience. To be able to achieve this, organizations need a deep understanding of customer journeys and provide technology powered, easy to access solutions powered at every customer touchpoint. Banks must accelerate their digital transformation journeys and prioritize modernizing legacy systems into agile IT infrastructure that can support third party APIs. They must focus on building an agile technology stack without disrupting the day-to-day activities. This can be achieved by using third party solutions that can modernize the core without disrupting operations at a reasonable cost.

The future of wealth management lies in providing personalized information regularly to targeted clients. This can be achieved by a healthy mix of human interface and technology to improve efficiency and effectiveness while retaining the personal connect. Banks must adapt quickly to the changing market environment, adopt new age technologies without disrupting the existing business and find the right balance in the use of talent and technology in advisory services.