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Tech puts value of advice in question

by Anastasia Santoreneos

Addressing a room of financial advisers at the Portfolio Construction Forum's 2019 Finology Summit yesterday, US-based financial planner, Michael Kitces, says advisers should turn their attention away from the regulators and towards technology if they want to stay relevant.

Kitces said technology has slowly (and silently) been disrupting the financial advice industry since Wall Street brokers traded stocks for non-negotiable fixed prices in the 50s, and, while advisers may think it's the regulators that are forcing change, Kitces makes the point that regulators are simply reacting to it.

"There's a tendency to solve the last crisis rather than the next one," he said.

But, five industry trends he sees reshaping the advice industry all stem from technology, with the first being the great convergence of broking and advice models, followed by a crisis of differentiation, the search for a new business model, and a focus on the client experience.

The Australian financial advice industry, he says, is currently tackling the great convergence where advice firms are converging with dealer groups, and the regulators have challenged vertical integration.

"Australian is ten years ahead of the US in terms of regulation," he says. "But the US ecosystem is better built for the independent licensee."

What comes out of standalone advice firms is a crisis of differentiation, whereby all advisers bee-line for the five to seven per cent of high net worth clients and struggle to differentiate themselves to catch those clients.

As technology dilutes the value of current advice, and causes advisers to compete with things like robo-advisers and model marketplaces as well as each other, eventually, Kitces says, advisers will need to find a whole new advice model.

Kitces says advisers should adopt technology, rather than compete with it, hone in on their own separate skill-set, and enhance the client experience if they want to be part of the group of advisers who will survive technology disruption.

Source: Money Management

<https://www.moneymanagement.com.au/news/financial-planning/tech-puts-value-advice-question>