

Top advisers will play psychologist on the job, summit hears

By [Dan Purves](https://www.professionalplanner.com.au/author/danpurves/) (https://www.professionalplanner.com.au/author/danpurves/) | February 16, 2017



Want to thrive as a financial planner despite technology's disruption? Better sharpen your psychology skills.

Computer algorithms can now perform accounting tasks quicker, better and cheaper than the financial planners who have traditionally done them. Rather than trying to compete with this, advisers need to alter their value proposition, Pinnacle Advisory partner and director of wealth management, Michael Kitces, told delegates at the PortfolioConstruction Forum Finology Summit.

"The fundamental shift coming is that we are going to move from being knowledge workers to becoming relationship workers," Kitces told the summit. "That is the transition we are [approaching]."

Historically, most financial advisers have been knowledge workers, but now anyone who has a mobile phone can access 99.99 per cent of the entirety of human knowledge, Kitces said.

"If your business model has been a gatekeeper to expert information, this is not good for business," he added.

The solution, he said, is to move from alpha to gamma generation: collaborating with clients to alter potentially destructive behavioural biases. For instance, most people will panic at the bottom of a market and sell, crystallising losses. A computer algorithm is unable to help in this scenario, but a financial planner who understands a client's risk and loss tolerance can help navigate them successfully through the downturn by engaging with them.

"Instead of being the person on the other side of the table analysing the technical stuff, we are going to turn it around and say, 'We are going to sit together, look at the computer, and work through your situation,'" Kitces said.

Capital Preferences global head of client development, Stig Nybo, echoed this theme.

Nybo declared this the year of robo and told the summit the financial advice industry was on the same technological tipping point that had already wiped out businesses in other sectors. He said the industry needed to adapt its business model accordingly.

“Know your customer,” Nybo warned. “Historically, as an industry, we haven’t done this ... We know how to hot rod a portfolio, but not who it applies to. Those who create client insights – you are the ones who will win.”

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Dan Purves worked as the head of news, sport and journalistic programming operations at Demon Media winning two national awards. Prior to this the stories he broke regularly made the front page of both The Patriot (USA) and The Demon (UK). He has also worked for the independent documentary company GRACE Productions.

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