

FIVE INDUSTRY TRENDS RESHAPING FINANCIAL ADVICE

5.9.2018 | FPA SAN ANTONIO

MICHAEL E. KITCES

MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL

Partner. Director of Research, Pinnacle Advisory Group

Publisher. The Kitces Report, www.kitces.com

Blogger. Nerd's Eye View, www.kitces.com/blog

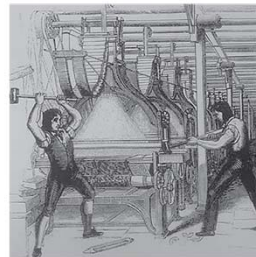
Twitterer. @MichaelKitces, www.twitter.com/MichaelKitces



Handouts/Additional Materials at: kitces.com/FPASANAN18

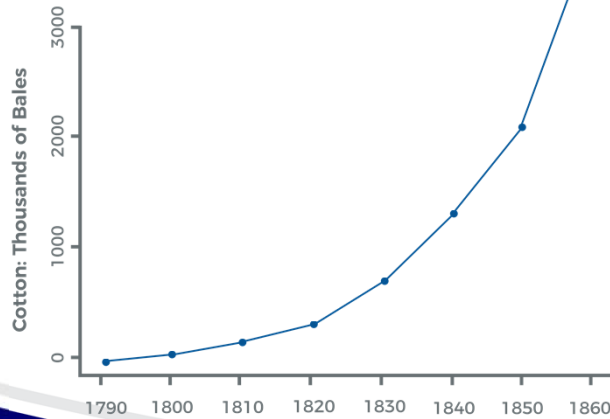
FIVE INDUSTRY TRENDS

- The Luddites



FIVE INDUSTRY TRENDS

- Cotton Production – Before & After



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

TECHNOLOGY
THE GREAT CONVERGENCE
CRISIS OF DIFFERENTIATION
THE SEARCH FOR NEW MODELS
THE CLIENT EXPERIENCE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

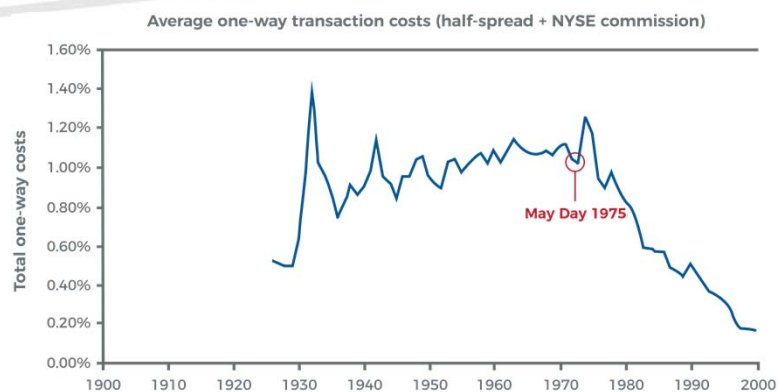
“Financial Advisor” of the 1970s/80s: STOCKBROKER!



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS



Source:
“A Century of
Stock Market
Liquidity &
Trading Costs” by
Charles Jones

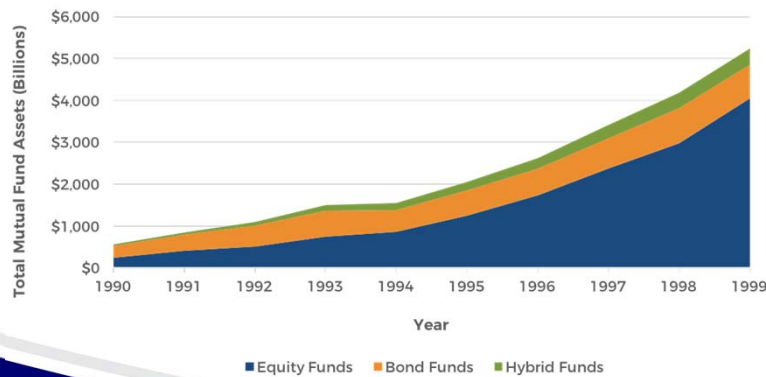
charles SCHWAB 1975 TD Ameritrade 1975 Scottrade 1980 E*TRADE 1982

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- “Financial Advisor” of the 1990s – MUTUAL FUNDS!



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- The online Mutual Fund Supermarket!

Forbes

Mutual fund supermarkets

LET'S FACE IT: Buying a mutual fund can be a pretty confusing business these days, what with the proliferation of funds, fund families and fund surveys. What's the best way to assemble a portfolio based on FORBES' recommendations without being swamped by paperwork or unnecessary charges?

Consider opening an account at a financial services organization with a so-called mutual fund supermarket. These programs allow no-load funds from different families to be bought without transaction fees while consolidating holdings in one statement.

Charles Schwab popularized the supermarket concept six years ago with its OneSource program. On Wall Street, as elsewhere, hot ideas quickly get imitated. Now more than 25 supermarkets vie for your attention and money.

charles SCHWAB E*TRADE

TD Ameritrade

Kiplinger Money

YAHOO! FINANCE

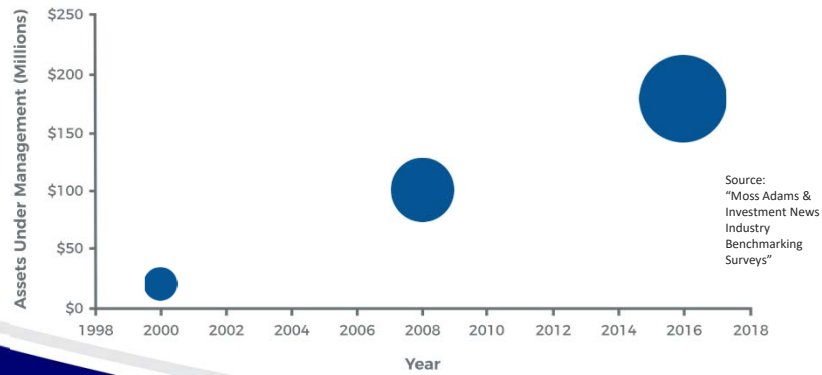
MORNINGSTAR

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- “Financial Advisor” of the 2000s –
ASSET ALLOCATION!

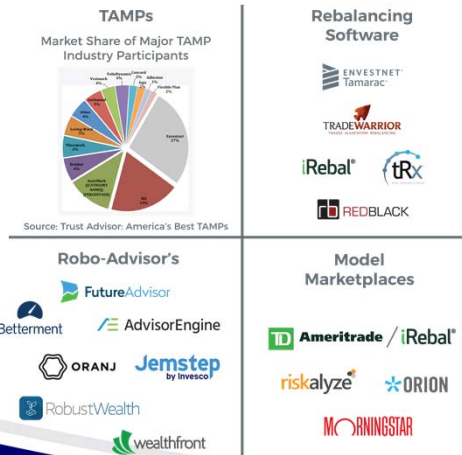


© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- But now technology is commoditizing it again!



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

TECHNOLOGY & FINANCIAL ADVICE

- What Is The Value You'll Add On Top?



Financial Planning

Exploring Goals
Financial Planning
Behavior Change



© 2013 Michael Kitces | kitces.com

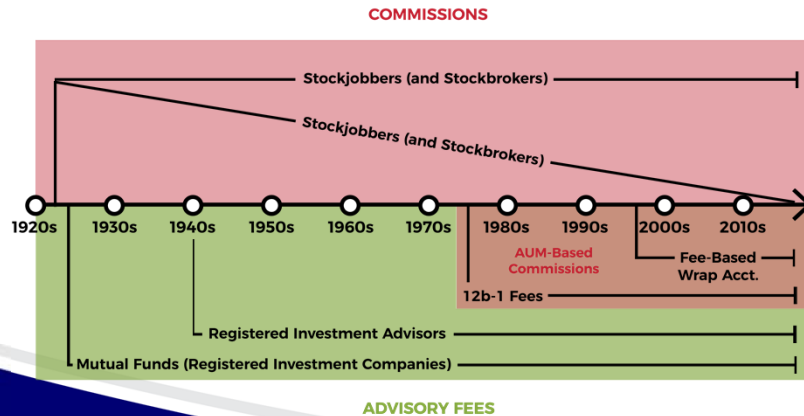
Handouts/Materials: kitces.com/FPASANAN18

TECHNOLOGY
THE GREAT CONVERGENCE
CRISIS OF DIFFERENTIATION
THE SEARCH FOR NEW MODELS
THE CLIENT EXPERIENCE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

- Once upon a time, commissions were for products, and fees were for advice



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Our regulations aren't built for all this advice!

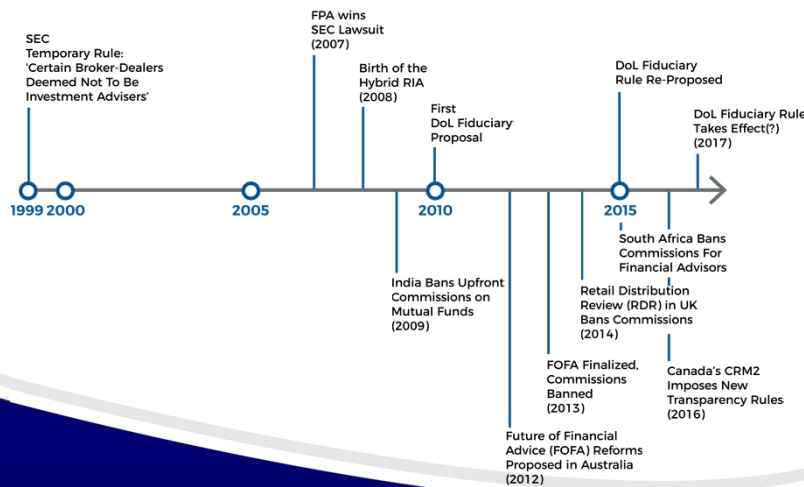
	Investment Advisers	Broker-Dealers
Service	Investment Advice	Brokering & Dealing Securities Products
Solution(s)	Continuous & Regular Supervisory & Management Services	Stocks & Bonds Mutual Funds Brokerage Services
Registration Requirements	Register if "Engaging in the business of advising others on investments, for compensation"	Exempt if advice is "solely incidental to the brokerage services, & receives no special compensation"
Legal Standards	Fiduciary	Suitability

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- The Great Convergence is triggering regulation



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Regulatory change is not a cause, it's an effect!
 - ...of the Great Convergence!
- The Fiduciary is a **global** phenomenon
 - ...and the trend is towards less conflicted compensation
- But when we all converge towards the same business model, guided by the same regulation...

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

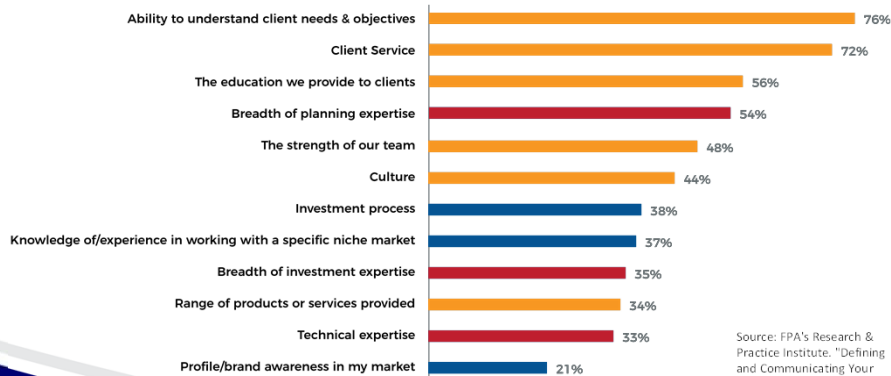
TECHNOLOGY THE GREAT CONVERGENCE CRISIS OF DIFFERENTIATION THE SEARCH FOR NEW MODELS THE CLIENT EXPERIENCE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- The emerging Crisis of Differentiation



Source: FPA's Research & Practice Institute, "Defining and Communicating Your Value 2016: Trends in Practice Management Whitepaper"

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- We're all going after the same (few) clients...

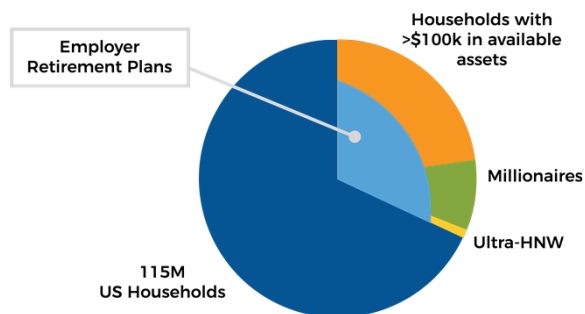


© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- But there just aren't many baby boomer delegators with money!



Source: "Spectrem Group,
Market Insights Report 2016"

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- But not everyone is a delegator!



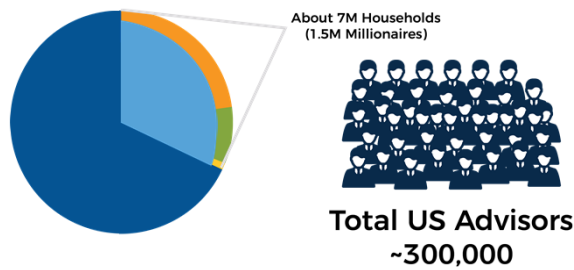
Source: "Forrester Research"

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- How many baby boomer delegators are there...?
 - If 1/3rd of households are delegators...



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

TECHNOLOGY

THE GREAT CONVERGENCE

CRISIS OF DIFFERENTIATION

THE SEARCH FOR NEW MODELS

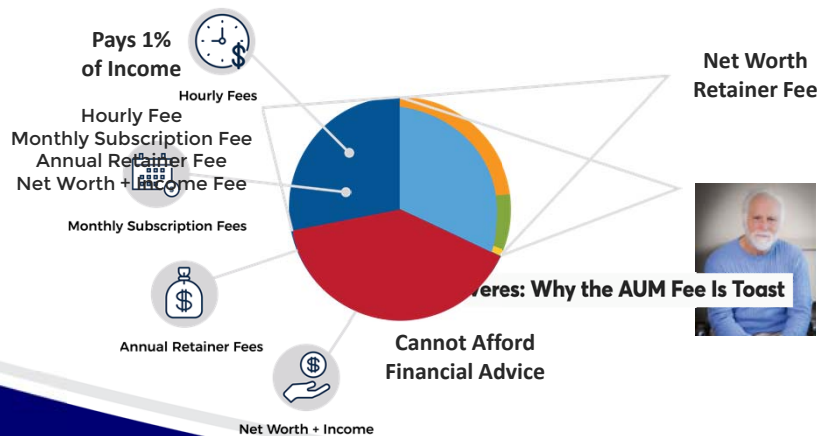
THE CLIENT EXPERIENCE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- The search for new business models



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

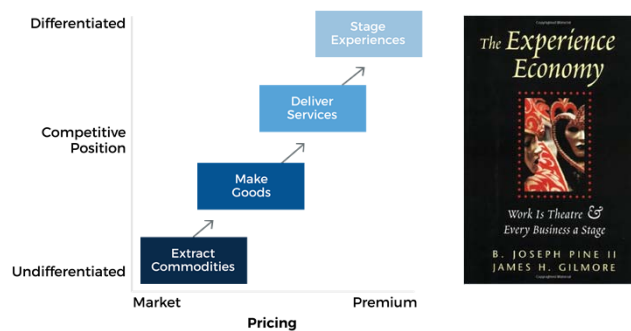
TECHNOLOGY THE GREAT CONVERGENCE CRISIS OF DIFFERENTIATION THE SEARCH FOR NEW MODELS THE CLIENT EXPERIENCE

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- The Experience Economy



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- The Financial Planning “Experience”



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

THE CATALYST: GENERATIONAL CHANGE (DIGITAL NATIVES)

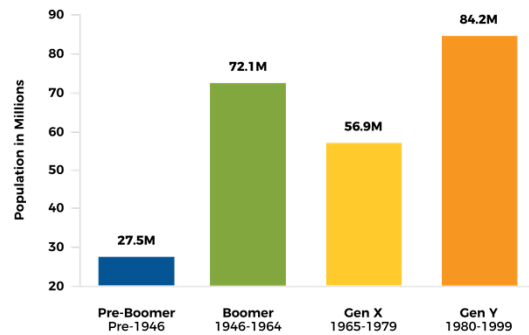
© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS



"Science Advances
One Funeral At A Time"



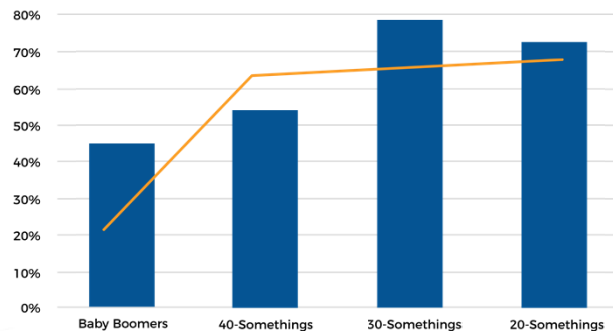
"Financial Planning Business Models Advance
One Retirement At A Time"

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Younger generations are digital natives:
Information is free... Wisdom is valuable



Source:
Cerulli Associates

Source:
Scottrade 2017
Retirement Study

Willing To Pay An Advisor — Thinks Advisors Are Too Self-Interested

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Digital natives want solutions to problems



SEARCH BY SPECIALTY
Find an advisor who focuses on serving people just like you, and understands your needs.

Show All

• Age/Generation-Based	113
• Culture Specific	1
• Gender/Sexual Orientation	26
• Interest-Specific	63
• Language Specific	2
• Life Events	14
• Profession-Specific	102
• Stages of Professional Career	71

SEARCH BY FEE STRUCTURE
We believe in transparency. Choose an advisor based on a billing system that works best for you.

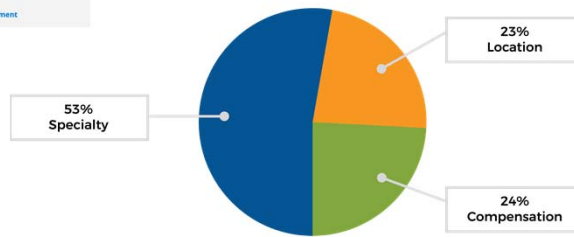
Show All

Monthly Fee
Quarterly Fee
Annual Fee
Flat Fee
Hourly
Assets Under Management

FIND BY STATE
Prefer someone close by? You can also filter your results based on location.

Show All

How Consumers Search For Advisors



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

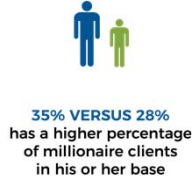
HOW TO SURVIVE (AND THRIVE)

© 2013 Michael Kitces | kitces.com

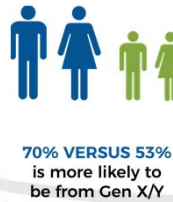
Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Technology is no longer a choice, it's a necessity
– And an opportunity!



Source:
"Fidelity 2015 Advisor Insights Study"

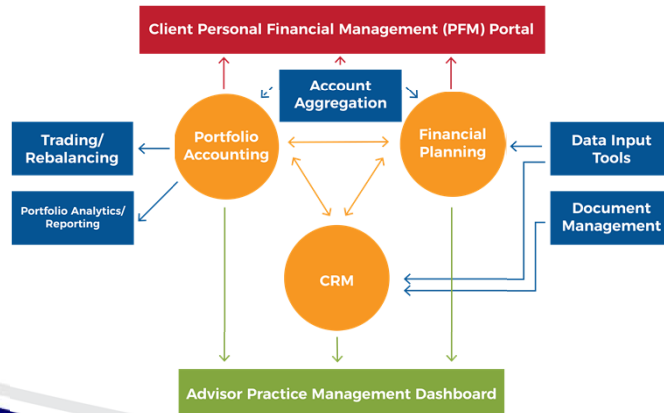


© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- What technology can you adopt/add?



© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

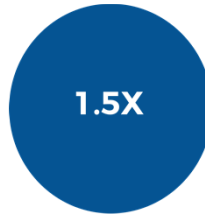
FIVE INDUSTRY TRENDS

- The future is fiduciary. It's global. Embrace it.
 - And it's more valuable anyway!

Commission-Based Practice

Niche-Expertise Practice

Recurring-Revenue Practice



(Fiduciary)

(Fiduciary)

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Real differentiation isn't just financial planning.
 - What are you the best at?



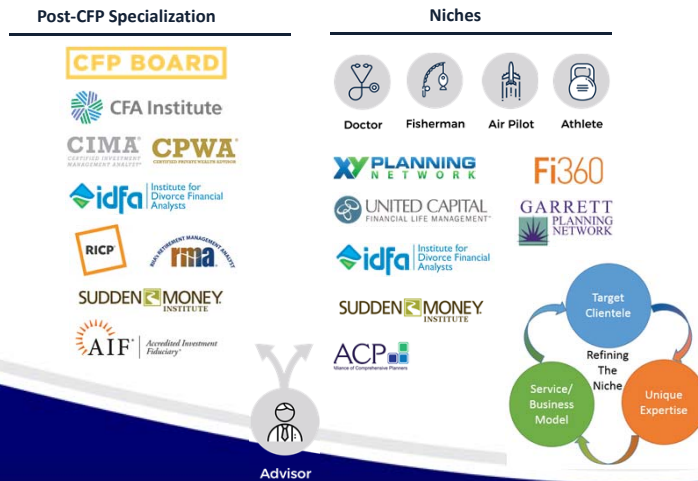
Image Source:
wsj.com

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Finding your niche/specialization

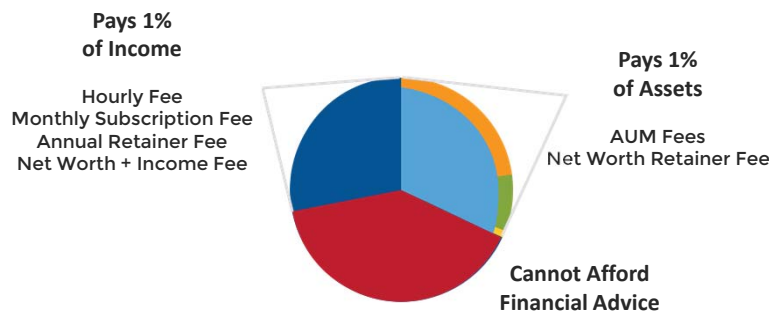


© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- What's YOUR business model in the future?



- Don't change your pricing to compete on price
 - Change who you serve, and price in a relevant way!

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS

- Are you selling a product, a service, or an experience?
 - Excellent experiences are standardized!



Image Source:
theodysseyonline.com (right), money.cnn.com (left)

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

FIVE INDUSTRY TRENDS



Travel on a Journey Made Just for You

[Request Your Tailor Made Journey](#)

Luxury Tailor Made Travel means seeing the world exactly how you want to see it, on an itinerary fashioned for you by the world's foremost experts.

to entrepreneurs around the world - we design and refine it especially for you every single time.

© 2013 Michael Kitces | kitces.com

Handouts/Materials: kitces.com/FPASANAN18

QUESTIONS?

Handouts & additional materials:
www.kitces.com/FPASANAN18

Contact: questions@kitces.com