



Taking Wealth Management to the Next Level – Advisor Lifecycle Management

Executive Summary

Despite growing recession fears, the wealth management industry is growing steadily, driven by the rising high net worth individual (HNWI) population,¹ increasing consumer awareness of investment needs and the emergence of a dazzling array of investment opportunities. This exponential growth has attracted a large number of industry players, each looking to establish a dominant position in the market.

As a service industry, success in this sector is driven by the quality of the customer engagement, which in turn is highly dependent on the quality of wealth management advisors. With increasing competition and consumer awareness, it is imperative for wealth management organizations to uniquely position themselves and differentiate based on advisor quality.

In addition, client expectations of service levels are far higher now than they were a decade ago, largely as a result of the global financial crisis. Clients are more demanding, requiring advisors to *a priori* demonstrate that they will receive continuous value for their investments. Such guarantees are further complicated by ongoing economic turbulence, which has adversely impacted the profitability of many wealth management organizations. Effectively managing the expense side of the ledger, while ensuring scalability and high standards of customer service, is critical to mid- and long-term success.

Among the key issues wealth management firms face include:

- **Sub-optimal advisor productivity due to time spent on increasing client demands for investment information.** As client satisfaction and trust levels drop,² advisors need to back up investment advice with comprehensive data on product performance, risk levels, fees and fit with the client's investment strategy. Without the right support tools to simplify access to data and report creation, gathering and presenting this information can become overhead that detracts from more productive activities.
- **Higher resource costs for attracting and retaining talent.** Having a skilled set of advisors on board is more important than ever, as firms strive to deliver on client expectations. However, rising industry demand for experienced advisors has made it increasingly challenging for firms to attract and manage high-quality talent. In addition, firms are grappling with attrition, as experienced advisors migrate to independent channels that offer higher payouts.³
- **Changing regulatory regime.** Heightened regulatory scrutiny⁴ following the financial crisis is forcing firms to reexamine their hiring and training practices. Firms need to ensure that potential advisors have the necessary industry certification and qualifications. Targeted and effective delivery of training materials on new regulations, client communication guidelines and product information is a priority.

- **Focus on delivering a consistent client experience.** Firms are moving toward institutionalizing the client relationship and improving the predictability of client interaction with advisors. This is especially important given the high churn rate of experienced advisors⁵ that most firms are currently experiencing.

In such a scenario, technology can be a key lever for organizations to drive scalability, improve business efficiencies and increase customer satisfaction, while keeping a focus on cost containment. This white paper lays out the systems that wealth management firms can effectively deploy to achieve this overall objective. These advisor systems are relevant to the three central stages of what may be termed the “advisor lifecycle” – namely, advisor recruitment, practice development and advisor servicing.

Advisor Recruitment

To streamline and improve the effectiveness of the talent acquisition and management process, wealth management firms should consider the following:

- **Pre-hire support.** While top advisors are almost always recruited through networking, an online interface with an automated workflow goes a long way toward increasing the efficiency of the advisor hiring process. Figure 1 illustrates a set of sub-processes that can be integrated

into a recruitment and advisor onboarding system. Such a system would typically be the first support system with which a prospective employee engages. Additionally, a streamlined, easy workflow can make a positive first impression regarding the ease of use of advisor systems at the firm.

Third-party interfaces for processes, such as background checks, can help reduce turnaround time. Moreover, consolidating all available data regarding advisor experience, registrations and certifications can make it easier to track conformance with increasingly stringent regulations.⁶

- **Post-hire support.** These processes can be integrated into the recruitment system, to track initial training progress, as well as manage licensing and registration requirements. Such support will eliminate the need for multiple touchpoints and maximize the time available for new advisors to become productive.

It is also advisable to maintain a clear entitlement policy of linking financial advisor profiles to existing model profiles in order to streamline access to various applications.

Finally, data from advisor onboarding systems can, in turn, feed training and development systems to enable targeted delivery of customized, need-based training material, such as webinars, new product information, etc.

Advisor Hiring

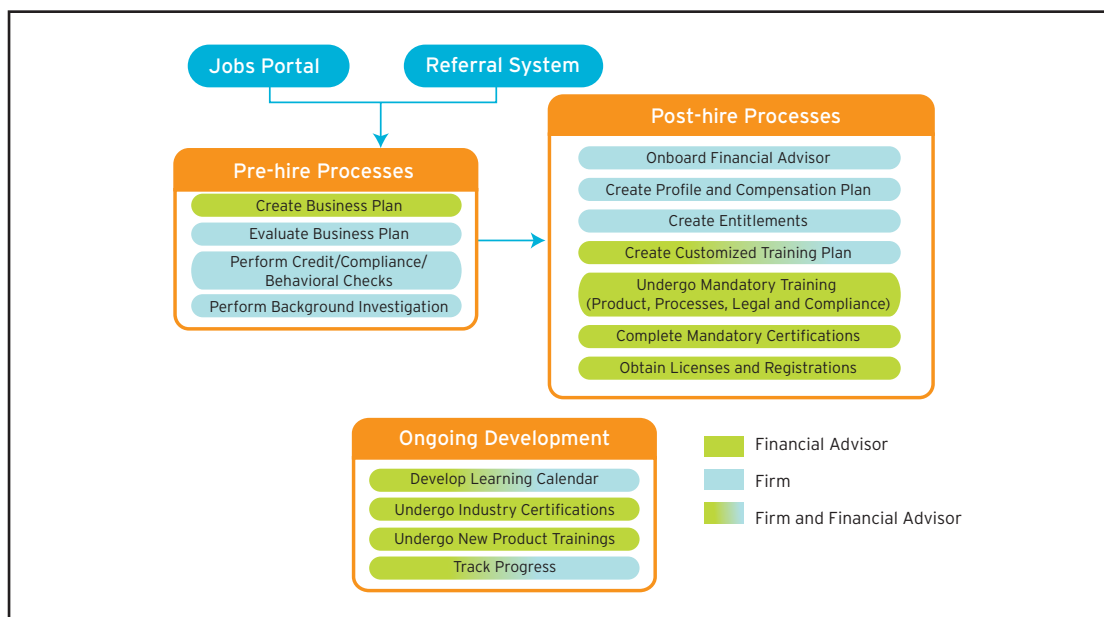


Figure 1

Practice Development

Interactive systems that provide comprehensive information on clients, products and research insights can assist advisors to better service their clients and boost revenues. These include:

- **Business development support.** Firms can add tremendous value to the business development support they offer advisors by adopting a 360-degree⁷ solution that integrates the functionality of their CRM system with comprehensive external information (such as market and client-facing perspectives) and with the firm's internal workflow and product information.

A 360-degree solution offers complete visibility of a client's accounts (such as retirement, insurance and trading accounts), enabling advisors to offer holistic advice based on a complete view of the client's portfolio. In addition, it allows advisors to easily leverage the data gathered to derive trends that can translate into additional revenue opportunities. Business development efforts can become more effective if profiles of new clients can be correlated with existing ones to devise investment patterns, outlooks and general service and relationship requirements (see Figure 2).

- **Market information and product support.** Firms can assist advisors in achieving their revenue targets by providing resources such as delivery of research insights and market trends information to advisor desktops. They can also provide comprehensive product support, such as ongoing new product training and an interface that allows advisors to request customized products based on client needs.

Advisor Servicing

Firms can evaluate the following advisor servicing systems to aid advisor productivity and lend transparency to the compensation calculation and performance management processes.

- **Reporting and analytics.** Sophisticated reporting and analytics capabilities can efficiently provide financial advisors with information related to compensation, performance, targets and book of business. The alternative – obtaining data from disparate systems and translating it into an integrated view – can be a time-consuming and error-prone process. Moreover, a comprehensive reporting and analytics framework allows advisors to deliver a high-quality client experience, which can be replicated organization-wide in a consistent manner, while minimizing loss of productive hours in data retrieval and presentation.

360-Degree Solution

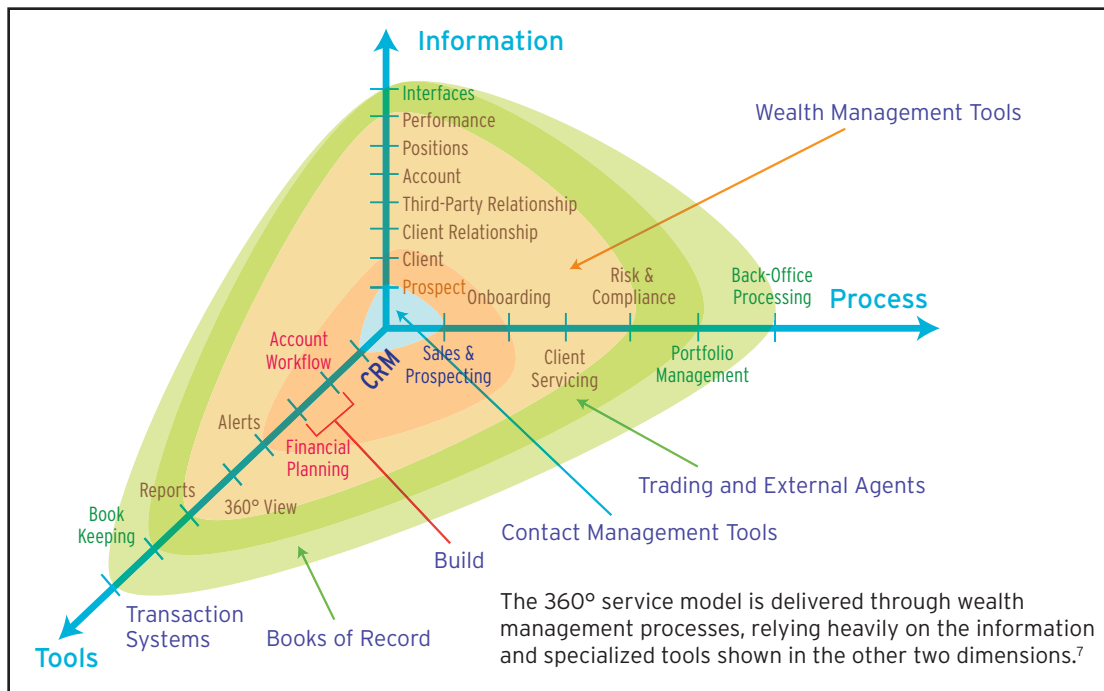


Figure 2

Compensation reporting provides information for daily, month-to-date and year-to-date production values. This enables advisors to view their own production as an individual, as well as for split accounts. It also details how a particular advisor is ranked within the firm when compared with peers on attributes such as production, book of business and new assets. Information on the discounts provided by advisors to various accounts (i.e., the effective discount rate and undiscounted commission) can also be obtained.

Practice management reporting provides a view of the advisor's book, covering dimensions such as number of households, total assets, trailing 12-month production and a current and historical view of the asset mix across the book of business. It also offers insight into revenue sources and migration opportunities and displays current and historical views of credit line growth, margin balances and short positions across the FA's book of business.

New asset reporting displays the new asset flows and adjustments used to determine an advisor's award payouts. It also details households and new relationships brought by an advisor to the firm (see Figure 3).

Further to the aforementioned reporting capabilities, firms can provide decision support tools to advisors to facilitate faster and more accurate assessments of investment choices. A sample set of features that can be offered to advisors includes:

- Ability to perform analytics for a wide range of asset classes.

- Scenario and sensitivity analysis.
- Analysis of hedging opportunities and risk analysis for hedging products.
- Risk assessment of assets under management at the client, branch and advisor levels.

In addition, advisor systems should allow for the adaptation of external analytics sources to enable greater flexibility, as well as deeper and more precise market/client insights.

- **Advisor compensation and performance tracking:** Advisor compensation is among the key levers that firms have to retain top-performing advisors. Most firms have linked compensation with performance. The complexity of a compensation calculation algorithm is increasing every day with the continuous introduction of new grids/plans. An automated process to calculate compensation can reduce a lot of heartache for advisors and home office workers by doing it right the first time.

A compensation management system with built-in flexibility for accommodating and monitoring a varied set of compensation policies, revenue commission payout grids, splits, overrides and payment schedules can greatly minimize manual effort and errors. Moreover, it should be possible to easily configure new policies on the system without adding IT and operational costs. This can be achieved by designing a compensation computing framework that accepts user-defined parameters such as new assets,

Reporting

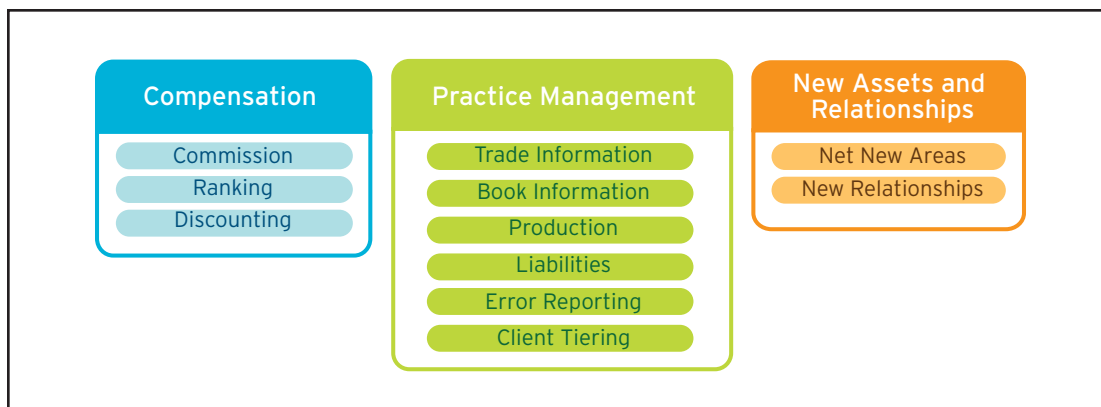


Figure 3

Compensation Calculation

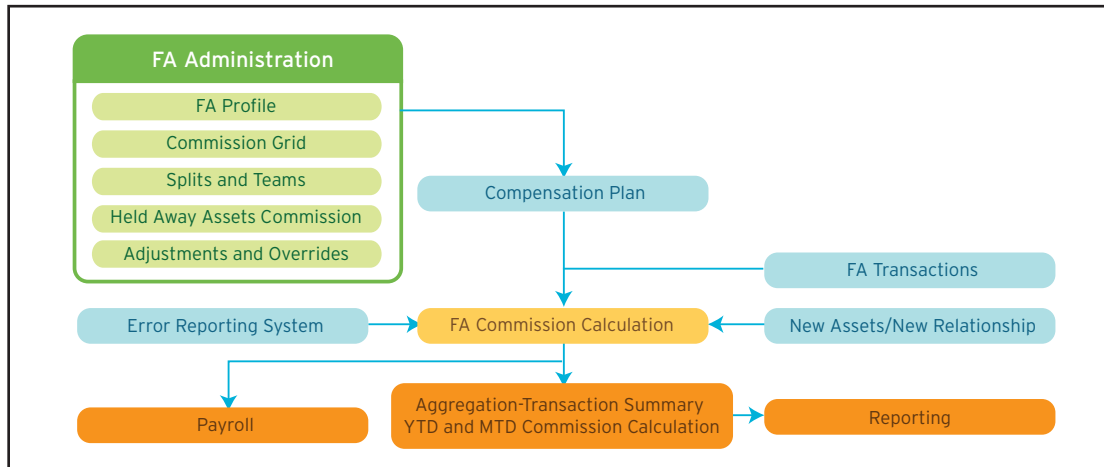


Figure 4

new customers, credit line growth, annual production, etc.

System design should include the ability to accept inputs captured from other internal systems (transactions, expense reports, etc.), as well as a user-friendly interface for corrections. Firms can simplify the tracking of awards eligibility by ensuring that data related to advisor performance, new money and new relationships is available on a single platform (see Figure 4).

Goal-setting can be enabled by the consolidated availability of real-time data. In addition, timely and accurate reporting capabilities can help advisors and teams track progress on established performance and revenue targets, view commission reports for a given period and benchmark performance against peers.

Developing comprehensive compensation and performance evaluation systems are a step in the right direction for firms looking to retain their top-performing talent.

Conclusion

Successful implementation of advisor management systems can dramatically advance a wealth management organization's performance, both in the short and long terms.

Hiring, developing and retaining quality advisors are priorities for wealth managers. A workflow-based system can assist firms in evaluating, onboarding and training advisors, while ensuring compliance with regulations. Performance tracking and compensation systems provide some transparency in the process and save effort in error/query resolutions.

Firms are always trying to improve advisor productivity levels. By reducing manual effort through the automation of menial tasks (such as data gathering, report creation and deriving client trends), firms can increase advisors' productive time and, in turn, their satisfaction. Freeing up time from administrative tasks allows advisors to dedicate more time to client management, resulting in better business for the advisor, as well as the firm.

Advisor management systems can help firms create a consistent client experience and institutionalize client relationships. Selecting an appropriate set of advisor management systems should be based on the organization's market positioning and growth ambitions, as well as the maturity of existing processes and technology platforms.

Goal-setting can be enabled by the consolidated availability of real-time data.

Footnotes

- ¹ World Wealth Report 2011, Capgemini and Merrill Lynch Wealth Management, June 22, 2011.
- ² "Anticipating a New Age in Wealth Management: Global Private Banking and Wealth Management Survey 2011," PricewaterhouseCoopers, June 2011.
- ³ "U.S. Wealth Management Survey: Trends and Emerging Business Models," Booz & Co, May 19, 2010.
- ⁴ "Anticipating a New Age in Wealth Management," PwC.
- ⁵ "U.S. Wealth Management Survey," Booz & Co.
- ⁶ "Anticipating a New Age in Wealth Management," PwC.
- ⁷ "Client Service Challenges in the Interplay of Private and Consumer Banking with Asset Management: Recommendation for a 360-Degree Service Model," Kirthi Ramakrishnan, Cognizant Business Consulting.

About the Authors

Dheeraj Toshniwal is a Manager within Cognizant Business Consulting and leads the Wealth Management Consulting Practice in India. He has experience leading business and IT transformation engagements with global banking and wealth management firms. Dheeraj can be reached at Dheeraj.Toshniwal@cognizant.com.

Siddhi Chanchani is a Senior Consultant in the Banking and Financial Services Practice within Cognizant Business Consulting. She can be reached at Siddhi.Chanchani@cognizant.com.

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World Headquarters

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277
Email: inquiry@cognizant.com

European Headquarters

1 Kingdom Street
Paddington Central
London W2 6BD
Phone: +44 (0) 20 7297 7600
Fax: +44 (0) 20 7121 0102
Email: infouk@cognizant.com

India Operations Headquarters

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraipakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
Email: inquiryindia@cognizant.com