Five Industry Trends
Reshaping Financial Advice

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Five Industry Trends

• The Luddites
Five Industry Trends

• Cotton Production – Before & After

Technology
The Great Convergence
Crisis Of Differentiation
The Search For New MODELS
The Client Experience
Five Industry Trends

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

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

Average one-way transaction costs (half-spread + NYSE commission)

Source: "A Century of Stock Market Liquidity & Trading Costs" by Charles Jones
Five Industry Trends

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

![Graph showing the growth of mutual fund assets from 1990 to 1999, with separate lines for Equity Funds, Bond Funds, and Hybrid Funds.]

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 chagrin?*

Consider opening an account at a financial services organization with a so-called mutual fund supermarket. These programs allow on-hand 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, an idea born, but ideas quickly getimitated. Now more than 80 supermarkets vie for your attention and money.
Five Industry Trends

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

Source: "Moss Adams & Investment News Industry Benchmarking Surveys"

Five Industry Trends

• The Rise Of The Fee-Based Advisory Model (B/D)

Source: Financial Planning Magazine
Five Industry Trends

• But now technology is commoditizing it again!

Technology & Financial Advice

• What Is The Value You’ll Add On Top?
Technology
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• Once upon a time, commissions were for products, and fees were for advice.
Regulatory Issues

Robots Vs Humans
### Education, Transactions, Advice and Management

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Transaction</th>
<th>Advice</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor seeks:</td>
<td>Information</td>
<td>Purchase</td>
<td>Recommendations</td>
<td>Execution</td>
</tr>
<tr>
<td>Investor evaluates:</td>
<td>Accuracy (is the info right?)</td>
<td>Suitability (is this the right thing for my needs?)</td>
<td>Relevance (is this right for me?)</td>
<td>Trust (will they do it right?)</td>
</tr>
<tr>
<td>Provider:</td>
<td>Teacher</td>
<td>Salesperson</td>
<td>Expert</td>
<td>Doer</td>
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<tr>
<td>Primary factor:</td>
<td>Generalized Features &amp; Benefits</td>
<td>Personalization</td>
<td>Delegation</td>
<td></td>
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<tr>
<td>Delivery Channel:</td>
<td>Human or Tech</td>
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</tbody>
</table>

### Products vs Advice

- **Commoditized Products** → **Holistic Advice** → **Ambiguous Regulation**
- **Financial Advice**
- Investments, Insurance, Banking, Credit, Tax
Questions?

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

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