Getting More From Data – How Advisors Can Strengthen Their Value Propositions

Introduction

Financial planning is quickly becoming a dynamic and engaging process, but this hasn’t always been the case.

In the past, many advisors took a one-size-fits-all approach to client objectives, often focusing narrowly on portfolio growth.

Today, advisors understand that investor requirements may vary considerably, leading to a growing focus on goals-based planning. Other trends, meanwhile, are also shaping the market, including a growing interest in the benefits of real-time financial planning – and the benefits of scalable delivery and monitoring.

Advisors face new challenges against this backdrop. Younger clients who have grown up with technology will likely have different expectations, preferences and goals than their parents – and these clients are poised to become more affluent, with baby boomers set to transfer $30 trillion to their heirs in the coming decades, according to the WealthX and NFP Family Wealth Transfers Report. Meanwhile, regulatory uncertainty continues, with President Trump taking steps to delay the Department of Labor’s fiduciary rule.

In light of these challenges and uncertainties, clients can clearly benefit from more sophisticated financial planning solutions and strategies. It is more important than ever that advisors achieve an in-depth, holistic and personalized view of their clients and their clients’ specific situations.

As such, two key drivers are currently shaping the evolution of successful financial planning: data aggregation and data analytics.

How can Big Data help?

Big Data is a big deal. Worth $122 billion in 2015, the Big Data industry is predicted to grow to $187 billion in 2019, according to IDC. PwC’s 2016 Big Decisions Survey found that 48 percent of companies describe themselves as “highly data-driven.” Meanwhile, 83 percent of professionals surveyed last year by the Economist Intelligence Unit said that data makes their products and services more profitable.

So far, so good – but how can investment advisory and management services benefit from Big Data? In practice, there are numerous potential benefits. By harnessing Big Data, advisors can improve forecasting, achieve cost savings and track performance. And thanks to the better intelligence made possible by accumulating and analyzing tremendous amounts of data, advisors can also use Big Data to more accurately assess risk.

To achieve these benefits, however, it’s not enough to simply obtain the relevant data. In order to derive value from the exercise, advisors should use data to obtain actionable insights – namely, by taking advantage of the opportunities presented by data aggregation and data analytics:

- **Data aggregation** means gathering different sets of data and bringing them together in one place, either manually or with dedicated software.
• **Data analytics** involves analyzing data sets in order to identify patterns and correlations that can ultimately benefit the business. Both of these areas are attracting considerable focus, as highlighted by Capgemini’s Top 10 Trends in Wealth Management 2017 report, which noted “an increased demand for data aggregation and analytics solutions that seamlessly sync data from disparate sources — such as brokerages, custodians, financial institutions, etc.”

Indeed, hybrid robo-advisor platforms, which combine automation with face-to-face advisory relationships, are increasingly tapping into data aggregation and analytics. However, in order to benefit from the opportunities, firms and advisors should first understand how that data can be effectively gathered, stored and used. It’s not always this straightforward. Research published by CIMA and AICPA found that 86 percent of financial professionals struggle to gain insights from their data.

In order to overcome these challenges and identify relevant insights, platforms are increasingly developing data aggregation capabilities that can give advisors a consolidated view of their clients’ asset allocation and risk exposures. Platforms also use analytics to derive actionable insights from the available data. Each of these developments allows advisors to more effectively support clients — and thereby build stronger relationships.

### Case studies

**Marty James**

Marty James, managing member of Marty James CPA, uses Envestnet’s daily reconciled data, giving him a clear view of what is happening in his clients’ portfolios each day. In today’s volatile climate, this provides considerable comfort for clients. “Every morning, I review all of our portfolios — over 800 of them — and in 15 minutes, I’m done,” said James. “I love how Envestnet continuously makes improvements to the platform to ensure that I have deep and expansive client information at my fingertips.”

**Linda Postorivo**

According to Linda Postorivo of Beringer Group, “I can gather information on clients’ holdings in seconds, including the assets I don’t manage personally, and give my clients real-time ‘what-ifs.’” Postorivo leverages Envestnet to build smart, sophisticated investment portfolios for ultra-high-net-worth clients. Envestnet’s advanced portfolio analytics, combined with their aggregated reporting capabilities give Postorivo what she needs to make strategic recommendations — ones that once took precious time to adequately research before.

### Data-driven insights

A leading provider of integrated portfolio, practice management and reporting solutions, Envestnet is committed to providing data-driven insights that help advisors, asset managers and enterprises more effectively manage their client relationships by actively harnessing the insights that data aggregation and analytics provide.

Envestnet’s advanced reporting solutions aggregate data from a variety of sources to provide a comprehensive view of individual clients’ wealth positions. This gives advisors a clear and accurate view of a client’s assets — including those held elsewhere — as well as the ability to provide clients with customized reports. Integrated analytics allow advisors to evaluate client accounts, make projections and analyze performance — as well as allowing them to create real-time “what-if” scenarios for clients. What’s more, clients can aggregate and monitor their own personal finances on their smart client portal, offering an even more complete picture of wealth that can help inform an advisor’s goal-based planning approach. Finally, Envestnet’s open architecture technology allows advisors to integrate their business functions, thereby reducing complexity and time spent managing different systems.

### Conclusion

In a volatile climate, advisors and their clients have much to gain by harnessing data more effectively. From cost savings to improved forecasting, the benefits of data aggregation and data analysis can be considerable. For advisors yet to embrace the opportunities, there’s no time like the present.

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### About Envestnet

Envestnet, Inc. (NYSE: ENV) is the leading provider of intelligent systems for wealth management and financial wellness. Envestnet’s unified technology enhances advisor productivity and strengthens the wealth management process. Envestnet empowers enterprises and advisors to more fully understand their clients and deliver better outcomes.

Envestnet enables financial advisors to better manage client outcomes and strengthen their practices. Institutional-quality research and advanced portfolio solutions are provided through Envestnet | PMC, our Portfolio Management Consultants group. Envestnet | Yodlee is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services. Envestnet | Tamarac provides leading rebalancing, reporting, and practice management software for advisors. Envestnet | Retirement Solutions provides an integrated platform that combines leading practice management technology, research, data aggregation, and fiduciary managed account solutions.

More than 54,000 advisors and 2,500 companies including: 16 of the 20 largest U.S. banks, 38 of the 50 largest wealth management and brokerage firms, over 500 of the largest Registered Investment Advisers, and hundreds of Internet services companies, leverage Envestnet technology and services. Envestnet solutions enhance knowledge of the client, accelerate client on-boarding, improve client digital experiences, and help drive better outcomes for enterprises, advisors, and their clients.

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