

PRIVATE CLIENT SERVICES

ADVISER OF THE FUTURE

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BDO

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UNDERSTANDING, TRUST AND A 360° PERSPECTIVE

Private clients are placing new expectations upon the advisory community.

The adviser of the future must respond to the challenges brought by new trends in transparency, relocation, individual and family needs, whilst battling with ongoing technological acceleration.

While a bedrock of technical expertise is expected, softer skills have risen in value. What an adviser knows, how they deliver it and who they know all matter.

The world is getting more complex and the repercussions of getting it wrong have changed with the internet and social media – advisers need to help clients see the big picture and enable them to make decisions with their eyes open.

If an adviser does not have 360 degree views, they won't be successful. "Non-technical advice is at least 50% of the game" says one professional services consultant".

Clients are becoming more purposeful and aligned

in their approach – nothing sits in a silo anymore and advisers need to be able to respond to this.

"A big mis-step is not seeing the woods for the trees."

The private client advisory mix involves different players and roles, depending on the circumstances and needs of the client. Alongside the traditional specialisms of each adviser – whether that is wealth management, investment management, tax law or

accounting – new expectations are being placed on the advisory community. Yesterday's point of difference may be today's minimum requirement. It could be argued that we are in fact returning to a historical model where clients had an adviser who knew how everything should fit together. Since then, complexity has increased in every sense of the word, and advisers began to specialise more and more. Have we forgotten the old art?

There remains a role for the specialists, of course, but the game has changed. One US attorney says that in the past, wealth owners may have treated some professional advisers "like the Oracle of Delphi" where "clients came in offering sacrifices of money and

listened to the cryptic words of a partner in a corner office before being ushered out by acolytes". Not anymore.

Emotional intelligence and the ability to build rapport and trust are now pre-requisites. As one wealth management professional says, the adviser of the future must "be a good listener", make the client comfortable and avoid focusing on "touting and selling their wares".

One consultant who provides guidance on engaging financial advisers agrees that "it's about psychology; people in the finance world are too often focused on selling," while another funds and family office solutions specialist summarises "trust is key and human interaction is central to that".

THE NETWORK REQUIREMENT

Wealth owners appreciate advisers that can take a more holistic approach which considers the big picture. "A big mis-step is not seeing the wood for the trees," says one investment manager.

Challenges come in all shapes and sizes and they do not respect qualifications, so thinking holistically does not mean that advisers must sacrifice their specialisms.

Clearly in such a complex, high-stakes environment, private clients do not expect one individual to have every solution to every problem.

Therefore, an appreciation for the bespoke nature of advice must also mean an adviser acknowledging their own limits. Maintaining a network of trusted associates with expertise in fields outside of their own is key. "Conducting the orchestra is a big part of it," says a UK-based lawyer. "Keep your political and emotional antennae waving. You don't want the trombone playing during the prelude."

If different advisers are too focused on their own area of expertise, says one trusts and estates attorney, they can "act as centrifugal forces and pull attention away from the centre". If your adviser lacks awareness and appreciation of your overall position, plans and ambitions, you need to seek counsel elsewhere.

"Trust is key and human interaction is central to that."

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TECHNOLOGICAL ACCELERATION

Integration and collaboration founded on trust, expertise and a solutions-based mindset combine to form an initial blueprint for the adviser of the future. In any discussion of the future, however, technology must also be considered. "The technology revolution has been microwaved," says one wealth management professional, and advisers must keep pace.

Times change, and technology drives change faster than anything else. In times of crisis, change accelerates yet further. If necessity is the mother of invention, then 2020 has shown us that crisis is the mother of adoption, with virtual and remote meetings becoming the norm, while video technology can now be used in the UK for witnessing will-signing. Further steps towards embracing greater use of technology will follow, as wealth owners expect advisers to maintain both their networks and their ability to provide counsel. If advisers embrace innovation and seek to continually improve their technological capabilities, the level of service wealth owners receive will be more crisis-proof.

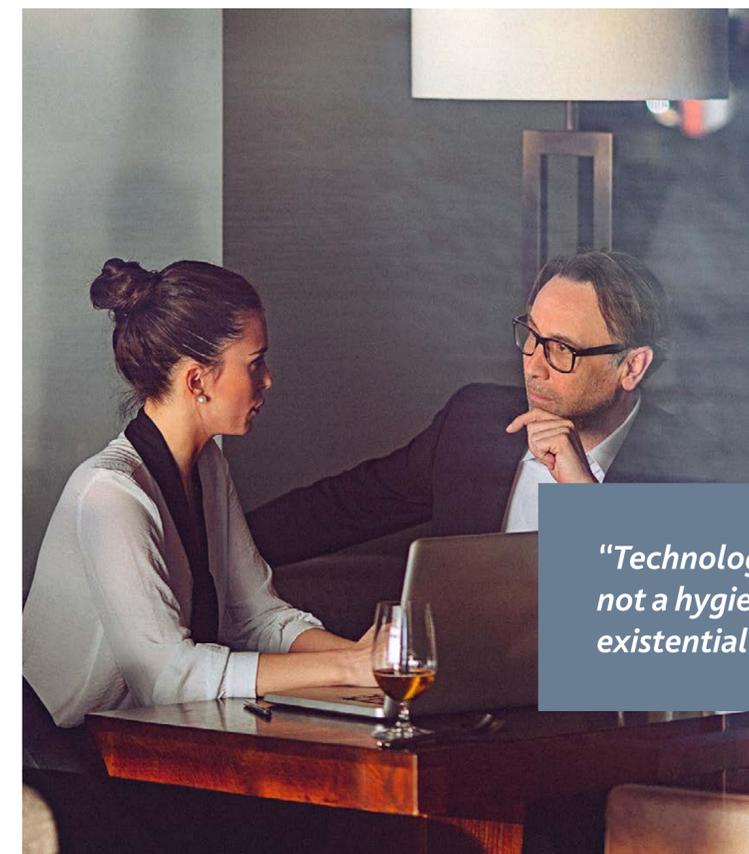
"Conducting the orchestra is a big part of it. You don't want the trombone playing during the prelude."

Some advisers may therefore challenge, educate and encourage the use of technology, whilst balancing – and taking steps to counter – valid concerns about online security. First generation wealth holders that have built wealth through being tech-savvy innovators will want and expect advisers to keep pace and deliver efficiency on a scale that differs from more conventional wealth management. "The sophistication of the new wealthy requires new service levels," notes one European lawyer.

Advisers will also have one eye on global tech giants who are well-positioned to enter the wealth management and advisory industry based on their scale and digital infrastructure capabilities. Some already offer financial products in one form or another, and their control of vast volumes of data may provide a competitive edge that will need to be monitored.

Advisers must treat technological adoption, therefore, not as a hygiene factor but as an imperative. Alongside efficiency, advisers should be observing the way that technology pushes the boundaries of how individuals work and the assets they own.

Good advisers will not be alarmed, but rather embrace change. Despite the pace of technological progression, caution must be exercised in how the demands placed on providers are 'ranked'. Trust and human connection should remain at the forefront of wealth owners' minds.



"Technological adoption is not a hygiene factor, but an existential imperative."

Computers may have the upper hand of efficiency when dealing with the routine or mundane, but when special circumstances arise, says one family office adviser, it is someone and not something, who "has to step up, take a decision and be accountable". Often, wealth owners will appreciate and benefit from nuanced interaction with a human sounding board, and not want to be led simply by what an algorithm dictates.

The best advisers will judiciously select the right technologies and educate themselves on how to use them. The private client-adviser relationship of the future will be centred on trust and soft, social skills combined with the harnessing of cutting-edge technologies.

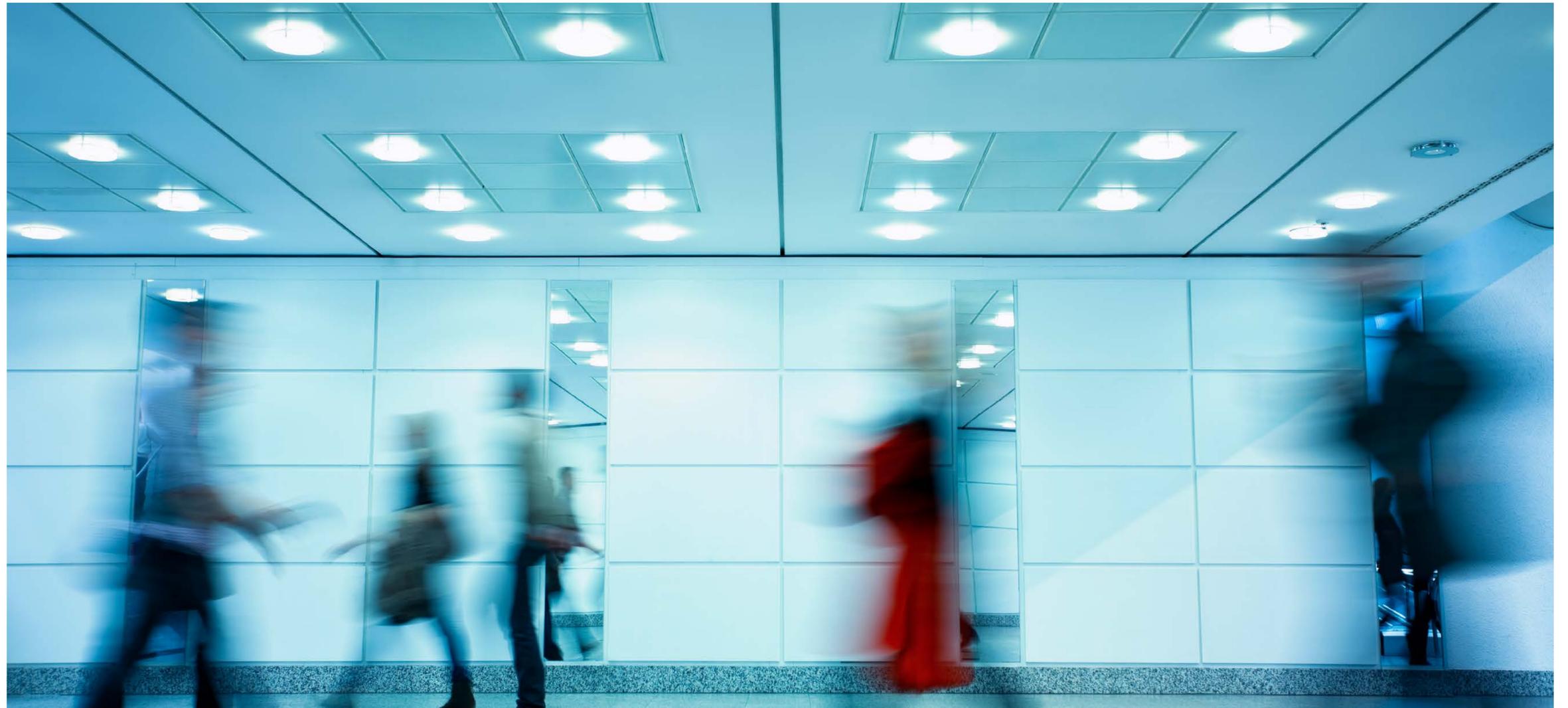
2021 OUTLOOK:

FROM CAREFUL ADJUSTMENTS TO DECISIVE ACTION

While our research reveals the scale and extent of the change that 2020 has thrust upon the world of private clients, it also shows that the fundamental principles wealth owners live by are being adapted, rather than replaced.

Our findings indicate that the appropriate initial response to radical reset is careful adjustment, not knee-jerk reaction. This culture of adaptability and measured response is not new, but its application is. Diversification and opportunity-spotting in reaction to outside events and forces has always been part of sensible wealth management. It is now applied to all aspects of wealth owners' lives.

At the same time, the events of 2020 were unprecedented, so wealth owners remain alive to the need for further change. We have discussed how continued success will rely on thoughtful decision-making that is responsive to change while staying true to the principles that underpin a longer-term outlook.



2021 OUTLOOK:

FROM CAREFUL ADJUSTMENTS TO DECISIVE ACTION

We expect the demand for family offices to continue to grow, as 2020 has given families an opportune moment to take a step back, rethink, plan and start to put in place their succession arrangements. The family office completes the puzzle by providing the basic fundamentals required for this planning phase and set succession planning on a sustainable footing.

But as the themes we have tackled continue to flex throughout the coming year, re-evaluation of priorities will continue to occur. More radical alterations may be warranted as certain trends become permanently embedded while others are shown to be temporary and are duly swept aside.

So, how will our four pillars stack up in 2021?

Transparency will continue quickly. The resolve of national authorities will surely increase, and the tolerance of non-compliance will fall, as recession deepens and governments seek funds to pay for COVID-related policies that have supported the economy in the short-term. Policymakers will keep a watchful eye on the wealthy as they seek to strike a balance between the goal of stimulating the economy and the risk of driving investment away if the taxation 'stick' is wielded too forcefully.

COVID-related restrictions are already impacting **relocation** strategies, and will continue to do so, but at some point cross-border activity and movement will return more fully. We are seeing individuals wanting to return to their "home" country where that country has COVID-19 largely under control. This is in turn leading to a surge in demand for property rentals and purchases in some jurisdictions. Wealth owners should assess (and are already assessing) their priorities and options now in order to act swiftly when the time comes.

We should not ignore the potential for a global pandemic to accelerate **inter-generational change**, both due to modified mind-sets and the mortality implications of COVID-19. Right now, it is impossible to imagine a world without COVID-19 but, even in its absence, new social norms and a focus on ESG serve as accelerating forces. The role of the current wealth holders will increase as they actively plan to pass on their wealth and educate the next generation. The only constant is change – but what positive forces can we expect to see within wealthy families, as the 'react' phase ends and the 'resilience' and 'realise' phase begins?

So, too, for the **adviser of the future**. As wealth owners (and wealth itself) change, they bring with them new expectations. However, while everything else around us changes, client satisfaction must not. One thing that is certain is that business as usual no longer exists. Private client advisers must remain alive to shifting needs as the private client landscape and the wider world evolve.

For now, the pursuit of stability remains the order of the day. As the fallout from 2020 continues to crystallise, and with the aid of additional clarity, wealth owners will be able to turn measured responses into more meaningful, longer-term action plans.

This report is the first instalment of a multi-year initiative designed to track and monitor sentiment within, and directed towards, the private wealth community, as well as analysing wealth-holder attitudes and strategies year-on-year. If you would like to discuss this year's findings, or take part in next year's research, get in touch with us – just search '**BDO World of Private Clients**', or contact your local adviser opposite.

Read our full report to see the wider analysis of our four themes.

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