The Future of Advice Management

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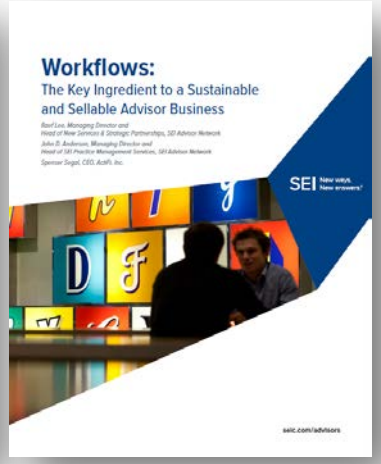

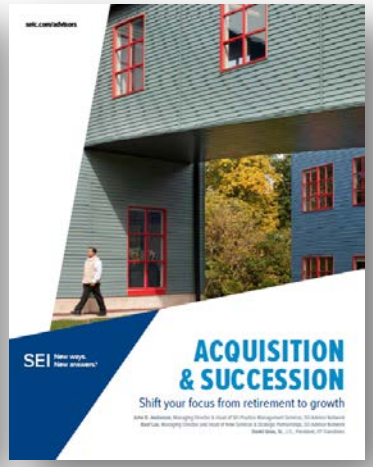

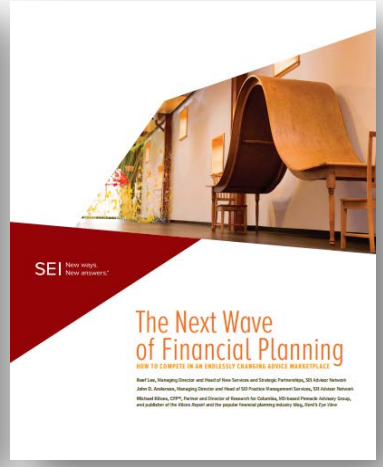

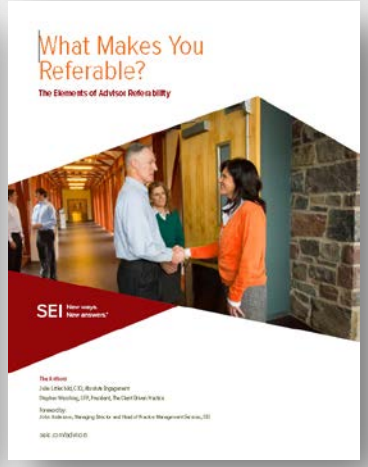

The Future of Advice Management › Available February 2018

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Spenser Segal
CEO and founder of ActiFi and one of the industry's most respected thought leaders

Industry insights:

- Hussain Zaidi, CFP® Co-founder and CEO of Advizr
- Bob Curtis, Founder and CEO Pietech/MoneyGuidePro®

Primary Research:

- Financial Advisor Online Survey* - Focus on financial planning and business processes: **542 respondents, November 2017**
  - 46% RIAs or Hybrid firms
  - 45% BD-affiliated
  - 75% in business 10+ years
  - 49% have between 3 – 10 employees
- Process Assessments** **-** We tracked the performance of **46 firms between September 2015 and December 2017**, before and after they implemented repeatable processes to determine how it ultimately impacted their business.
  - Average # of clients/firm – 262
  - Average # of employees – 3.7

* Conducted by SEI
** Conducted by ActFi as part of SEI's workflow program

Agenda

- The Evolution of Advice
- The Future Is Already Here
  - How Techno-Advisors and Clients Collaborate
  - A smarter front office, more satisfied clients
  - Financial Planning 2.0
- The Glue of Advice Management: Your Co-planning Process
- Your Roadmap to an Advice Management Business Model

The Evolution of Advice

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The Game Has Changed… and the Stakes Have Too

Advisor-centric world to **client-centric model**

- Main reasons:
  - Fiduciary movement
  - Low-priced digital advice disruptors
  - Changing investor demographic
  - Commoditization of investment advice
- Consumers are demanding:
  - Participation
  - Transparency
  - Value
- Result: Financial Planning 2.0
- However many advisors are finding it hard to change

The Evolution of Advice

1980's

- Advisors paid by selling insurance and limited partnerships .

Product-driven sales

1990's

- Computers give access to investment information, boosting mutual fund boom.
- Needs-based approach expands with financial planning.

Needs-based selling

2000's

- The rise of the AUM model.
- The financial crisis and its aftermath.

AUM Model

2010's

- CRM becomes the client hub; financial planning becomes the value hub.
- Different advice models for unique client segments.
- Birth of Techno-advisors.

Financial planning

Tomorrow

- 24/7 digital access
- Investor driven advice

The Future of Advice Management Is Already Here

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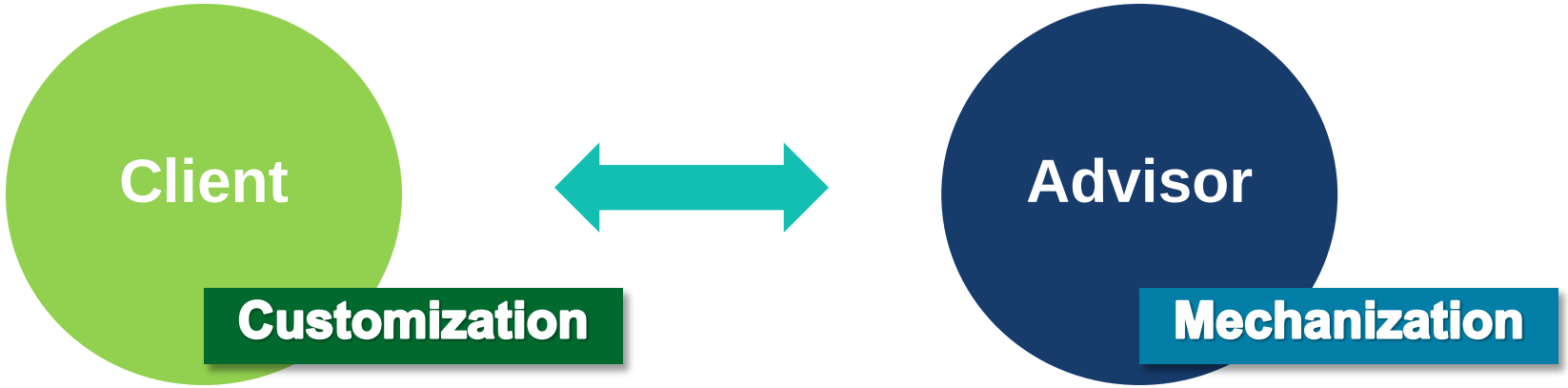
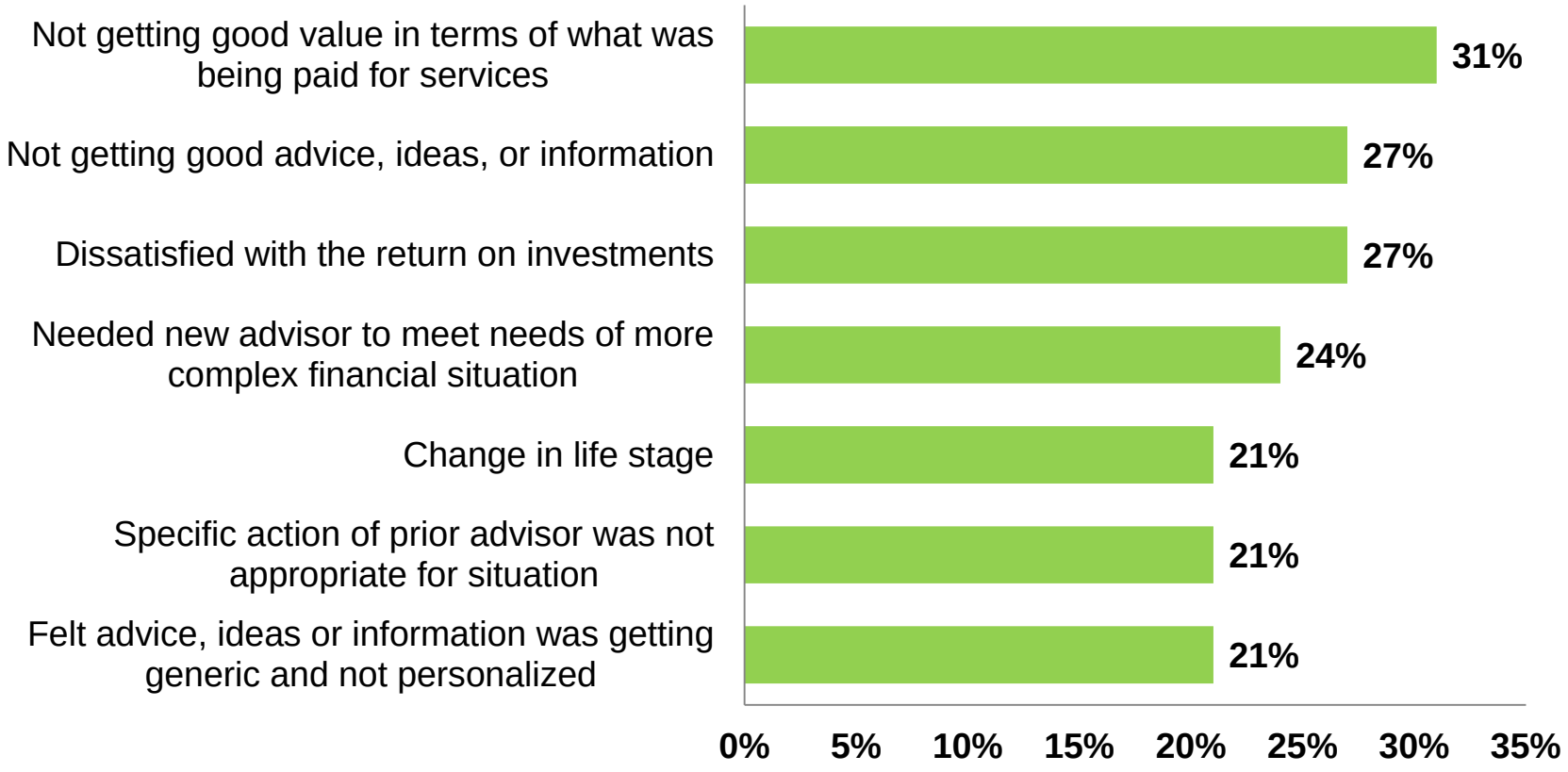
The Future of Advice Management Is Already Here

- It's where **high-tech meets high-touch**
- It's where **opportunity meets value**
- It's how advisors **deepen client engagement** and provide more **holistic advice in a scalable way**
- It **resembles the medical, accounting, and legal professions** –
  - University preparation
  - Rigorous professional training
  - Designations and standards



The Client Experience Is Front and Center

No single reason dominates for moving an advisory relationship.



Source: Phoenix Synergistics, Financial Advice and Planning for the Mass Affluent, 2017, page 9

The Future Is Already Here ›
How Techno-Advisors and Clients Will Collaborate

Techno-Advisor

OUTSIDE
Client interaction:

- Co-plan
- Prospect-to-client engagement
- Integration of client management tools (e.g. scheduling software, co-browsing)
- “Micromoments”

INSIDE
Front-office technology & workflow:

- CRM - “the client hub”
- Financial planning - “the value hub”
- Risk tools
- Document management
- Aggregation
- Client portal

The Future Is (Nearly) Here › Financial Planning 2.0

Financial planning is changing - used interchangeably with advice.

CFP Board Definition: The process of determining whether and how an individual can meet life goals through the proper management of financial resources – integrating a disciplined process with key subject areas.

	Financial planning process	Financial planning subject areas
1	Establishing and defining the client-planner relationship	• Financial statement preparation and analysis (including cash flow analysis/planning and budgeting)
2	Gathering client data including goals	• Insurance planning and risk management
3	Analyzing and evaluating the client's current financial status	• Employee benefits planning
4	Developing and presenting recommendations and/or alternatives	• Investment planning
5	Implementing the recommendations	• Income tax planning
6	Monitoring the recommendation	• Retirement planning • Estate planning

Source: CFP Board, https://www.cfp.net/for-cfp-professionals/professional-standards-enforcement/compliance-resources/frequently-asked-questions/financial-planning

The Future Is (Nearly) Here › Financial Planning 2.0

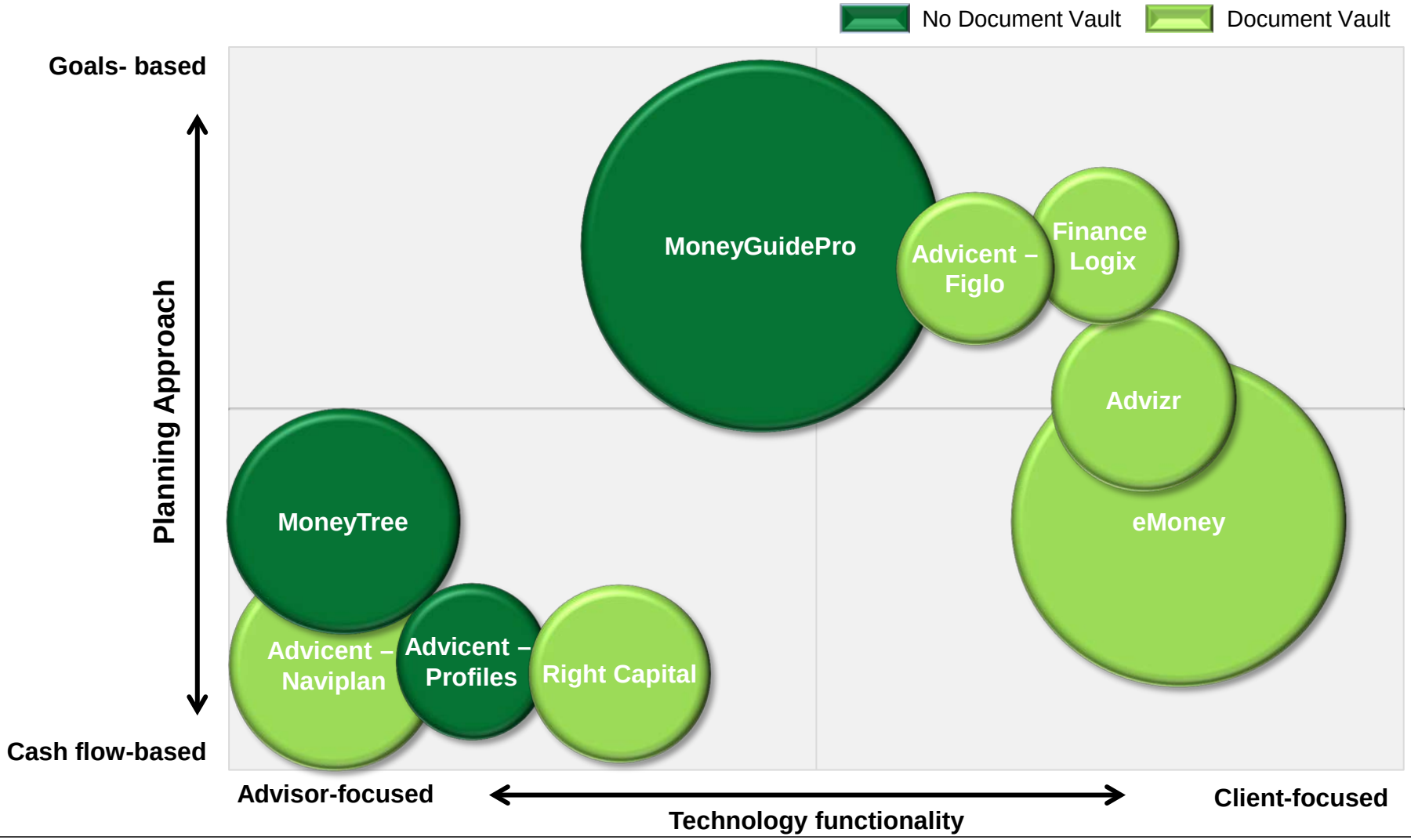
New software and new types of client are changing the way the planning process is used in practice.

- Planning process is still relevant but there is an end of the financial plan as a book for the shelf – now a living thing
- Technology makes client fact finding and reporting easier and driven by the client
- Allows the plan to be broken into modules and spread over time and repeated – ongoing planning
- The investor is a co-creator of the plan
- Technology and integration allows the goal of ‘only entering data once’

New generation of financial planning companies aiding the disruption

Size of bubble correlates to market share

The Future Is Already Here ›
Financial Planning Tools Landscape

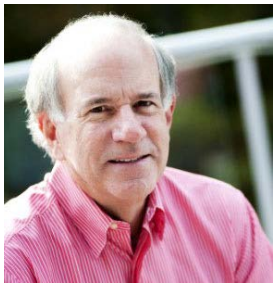


Sources: Size of the bubble – 2017 Software Survey – T3, Advisor Perspectives and Inside Information;Goals vs Cash Flow – Financial Advisor's Guide To Choosing The Best Financial Planning Software (For You), kitces.com, March 21, 2016; Document vault evaluation – SEI competitive research on company websites.

A View from the Top › Two Financial Planning Company CEOs

Bob Curtis, MoneyGuidePro®

"As an industry, we need to give advisors and clients simpler ways to get started – educating them and creating interest in the core components of a true plan"



Founded: 2000
Founder and CEO
Focus: Comprehensive financial planning solution
# of employees: 200
Market share: 42%*

Hussain Zaidi, CFP® Advizr

"By focusing on the end client's experience, and providing advisors coaching and education, they can incorporate planning in a scalable way."

Founded: 2013
Co-Founder and CEO
Focus: Intuitive financial planning for investment advisors
Number of employees: 30
Market share: 4%*

Sources: Information provided by Bob Curtis and Hussain Zaisi, CFP®
* 2017 Software Survey-T3, Advisor Perspectives and Inside Information

None of the entities listed on this slide are affiliated with SEI.

The Future Is Already Here › Co-planning

Financial advisors have to demonstrate their value – and there is room for improvement

- Advisors do financial planning for only 53% of HNW investors, yet far less so for the Emerging (32%) and Mass Affluent (34%)[1]
- 58% of all households are willing to pay for financial advice[2]
- 63% of households with investable assets between $1 million and $2 million either strongly agree or agree that they are willing to pay for financial advice[2]
- Older clients report a greater willingness to pay for advice, but those under 40 also agree that they are willing to pay for advice[2]

[1] Phoenix Wealth & Affluent Monitor; W&AM-U.S. Quarterly Report Special Topic: Financial Wellness Q3 2017; Data for this report are derived from the September 2017 W&AM questionnaire administered to a representative sample of 945 affluent and high net worth investors. All data are weighted by age, income and investable assets to reflect the actual distribution of affluent and HNW households nationally.

[2] Phoenix Marketing International, Cerulli Associates; The Cerulli Report | U.S. Advisor Metrics 2017, page 198; Analyst Note: Investors were asked to what extent they agree or disagree with the following statement: "I am willing to pay for advice."

The Future Is Already Here ›
Co-planning and It's Role In Business

- **Core value proposition:**
  - 41% of advisors view financial planning as their core value proposition
  - Mostly mature/acquiring firms and RIA-only firms
- **Biggest motivator:**
  - 53% believe financial planning differentiates their services;
- **The biggest challenges:**
  - 26% say finding the right technology
  - 24% struggle to explain value of planning

Source: SEI Financial Planning Online Survey, November 2017, n=542 Financial Advisors

Classic HNW Investor › Meet Dennis

"As a business owner, I've dedicated my life to building what I have to support my family and our future. To achieve my success, I've played a part in every aspect of my business, from operations to sales. You don't have success if you don't pay attention to the details."

His Goals:

- Have enough to support his lifestyle now and in retirement
- Make sure he's prepared for unexpected expenses
- Allow ability to pursue second careers and multiple homes
- Actively give back to his community
- Leave a legacy for his children and grandchildren

Implications for planners/advisors:

- A deeper planning process to truly understand his goals.
- A solid cash flow is needed: now and in the future
- Additional services needed: real estate, estate planning and charitable strategies
- Comprehensive planners will want to go beyond just investments
- Tax analysis informs the investments and strategies
- Best suited software: holistic planning software (e.g., MoneyGuidePro® or eMoney)

Hypothetical example

New Emerging Wealth Investor › Meet Nicole

"My husband and I are both working IT professionals and have been very successful. We recently bought our dream home where our kids have a great backyard and fantastic schools. Finances for us is about the total picture and what it means to our family now and in the future."

Her Goals:

- Provide financial security for her family
- Build wealth for her retirement
- Reduce her overall household debt
- Save for her children's college education
- Make sure she's prepared to take care of her parents

Implications for planners/advisors:

- Engage her deeply in the planning process
- Invite Nicole and her husband to engage in co-planning
- Focus on goals more, and less on investing
- Manage debt, save for retirement and children's education
- If new to planning, maybe offer "light" or intuitive planning to expand beyond investment focus
- Best suited software: modular planning software (e.g. Advizr).

Hypothetical example

The Future Is Already Here › Co-planning Approaches

Goals-based financial planning:

- Captures dollars that are allocated towards a specific (or multiple) goal and projects whether the goal(s) will be achieved.
- Can be modular or holistic.
- Fees based on the extent of the analysis.

Cash-flow-based financial planning:

- Typically aims to account for every dollar in the household – combining the total inflows from various sources
- Ensures that they fully match the total outflows (e.g. spending and expenses).
- Traditional comprehensive plans use this approach.
- Fees based on the complexity of the analysis.

The Future Is Already Here › Types of Co-planning

Project-based planning – Nicole or Dennis

- May be working with a younger investor who isn't ready to commit or an investor who thinks they want a one time financial plan.
- Client is savvy about technology and investments, but wants validation.
- One-time fee with the potential of converting to a retainer or AUM based model.

Modular planning – Nicole

- Great way to initiate a new relationship and demonstrate value over time.
- The output for each module is self-contained (e.g. retirement).
- Aligns well with a flat fee model.

Holistic planning – Dennis

- Traditional model requires training, experience and planning expertise.
- Tends to be comprehensive – either goal- or cash-flow-based.
- Charge separately for service or as part of AUM model.

Segmented Planning – Nicole or Dennis

- Advisor uses different planning methodology depending on client type.
- May need multiple advisors to pull this off.
- Internal firm processes needs to support both types of planning.

The Glue of Advice Management

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The Glue of Advice Management › Inside Drives the Outside

Mechanize the inside - customize the outside

Workflow and automation allow you to:

- Consistently follow through with commitments and promises
- Provide better and more flexible reporting
- Reach out proactively, capitalizing on micromoments
- Monitoring of accounts leads to automatic notifications to advisor and investor
- Newer types of interaction: video conferencing, scheduling software
- Client preferences drive how you interact

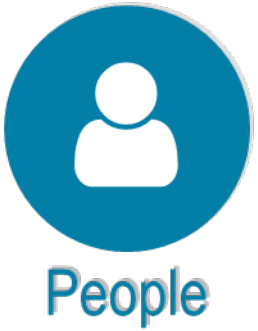
Advice management – automating the financial planning process

The Glue of Advice Management ›
Five Levels of Technology Utilization

Source: ActiFi

The Glue of Advice Management ›
People, Process and Technology

33% on People



- Staff training
- Client training

33% on Process

- Defined processes
- Automated workflows

33% on Technology

- Best fit for your advice model
- Integrated

The Glue of Advice Management › Where to Start

- Biggest challenge for younger firms:
  - **Lack of time** for process
  - **Grow faster**
  - Ease bringing on **new hires**
- Mature firms want to **improve the way their teams work** together.
- 35% rely on their own **memories or checklists** to execute business processes.
- Less than 20% **rely on automated processes** to trigger such tasks.

Source: SEI Financial Planning Online Survey, November 2017, n=542 Financial Advisors

The Glue of Advice Management › Pitfalls to Watch For

- There will be members of your team that **may not want to change.**
- Change management **takes time and commitment**.
- **Don’t try to tackle too much too fast** – start with your key three or four processes.

The Glue of Advice Management ›
Life Before and After Process Automation

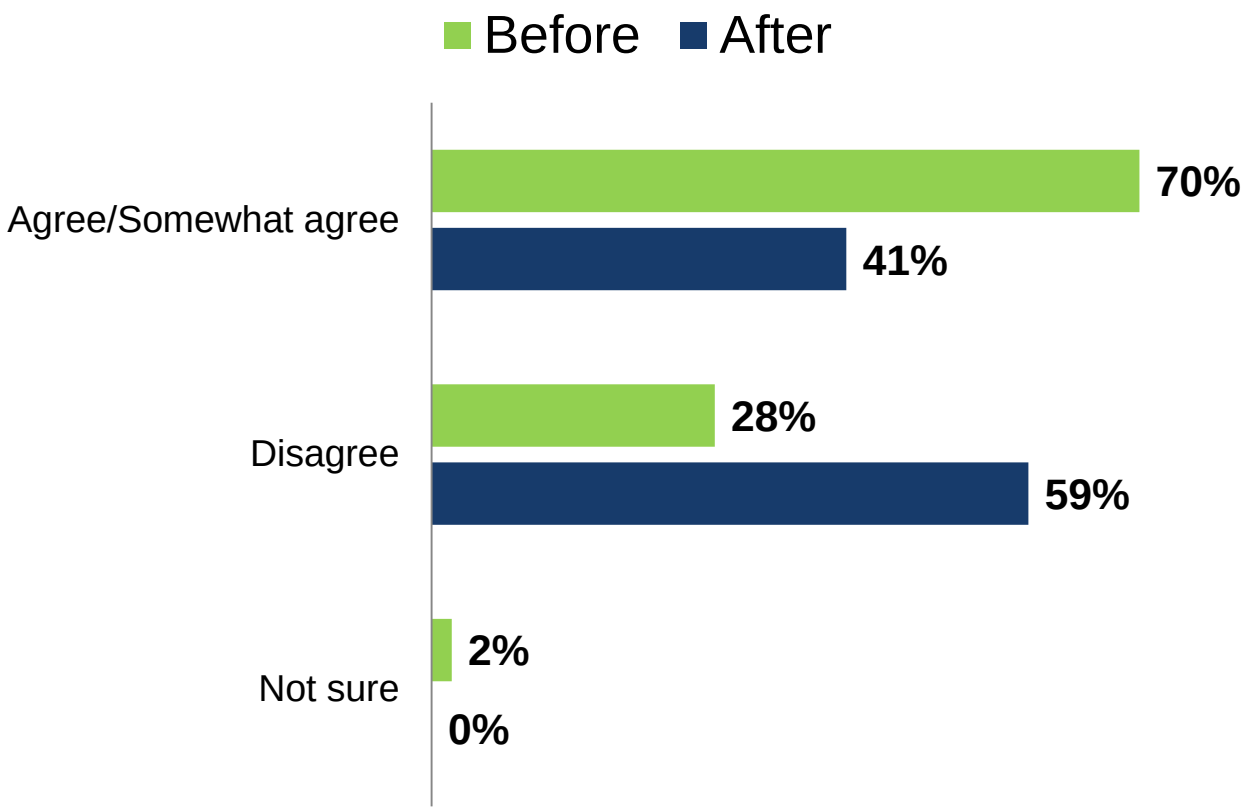
SEI conducted **before and after assessments** among 46 firms that implemented repeatable processes. They:

- Measured the firm's views of their efficiency.
- Measured the firm's view of their client satisfaction.

Source: n = 46 firms, between September 2015 and December 2017, before and after they implemented repeatable processes to determine how it ultimately impacted their business; Conducted by ActFi as part of SEI's workflow program

The Glue of Advice Management ›
Life Before and After Process Automation

We don't have enough time for client-related activities



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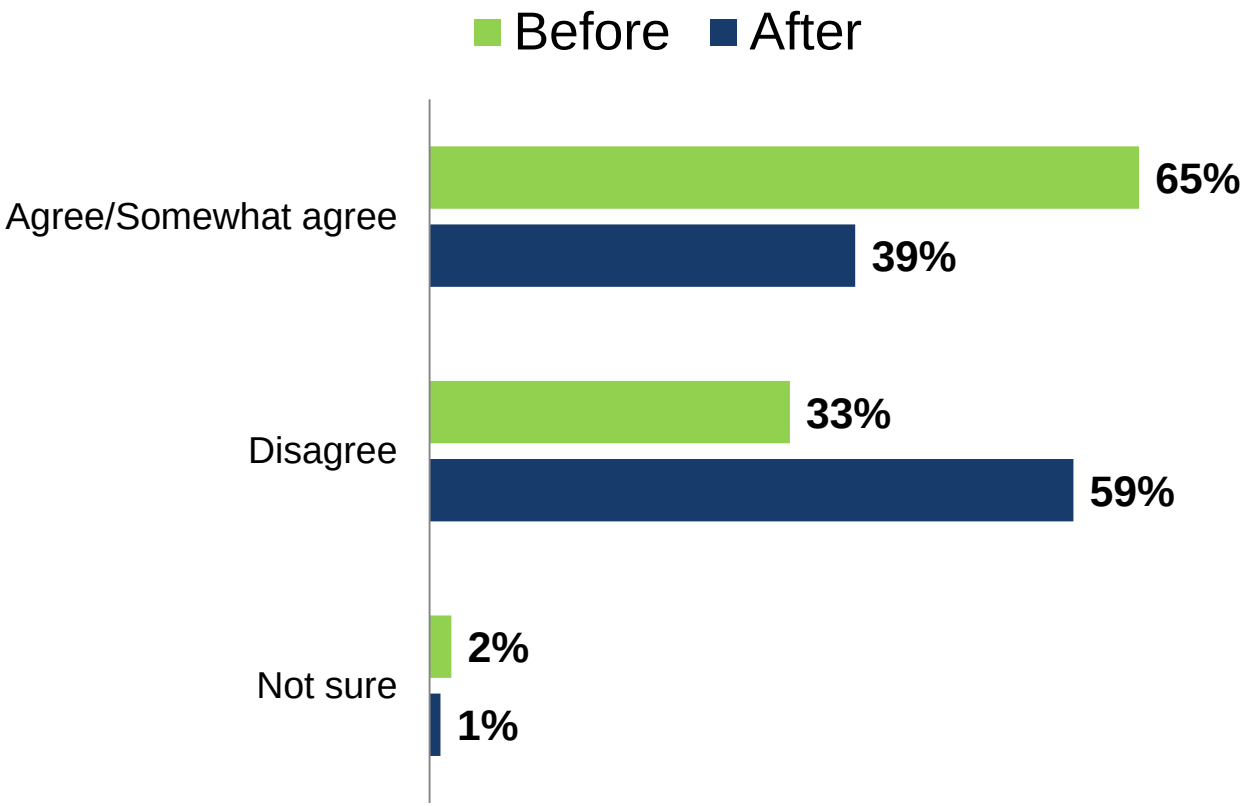
The Glue of Advice Management ›
Life Before and After Process Automation

Knowledge of clients and activities is primarily stored in people's heads



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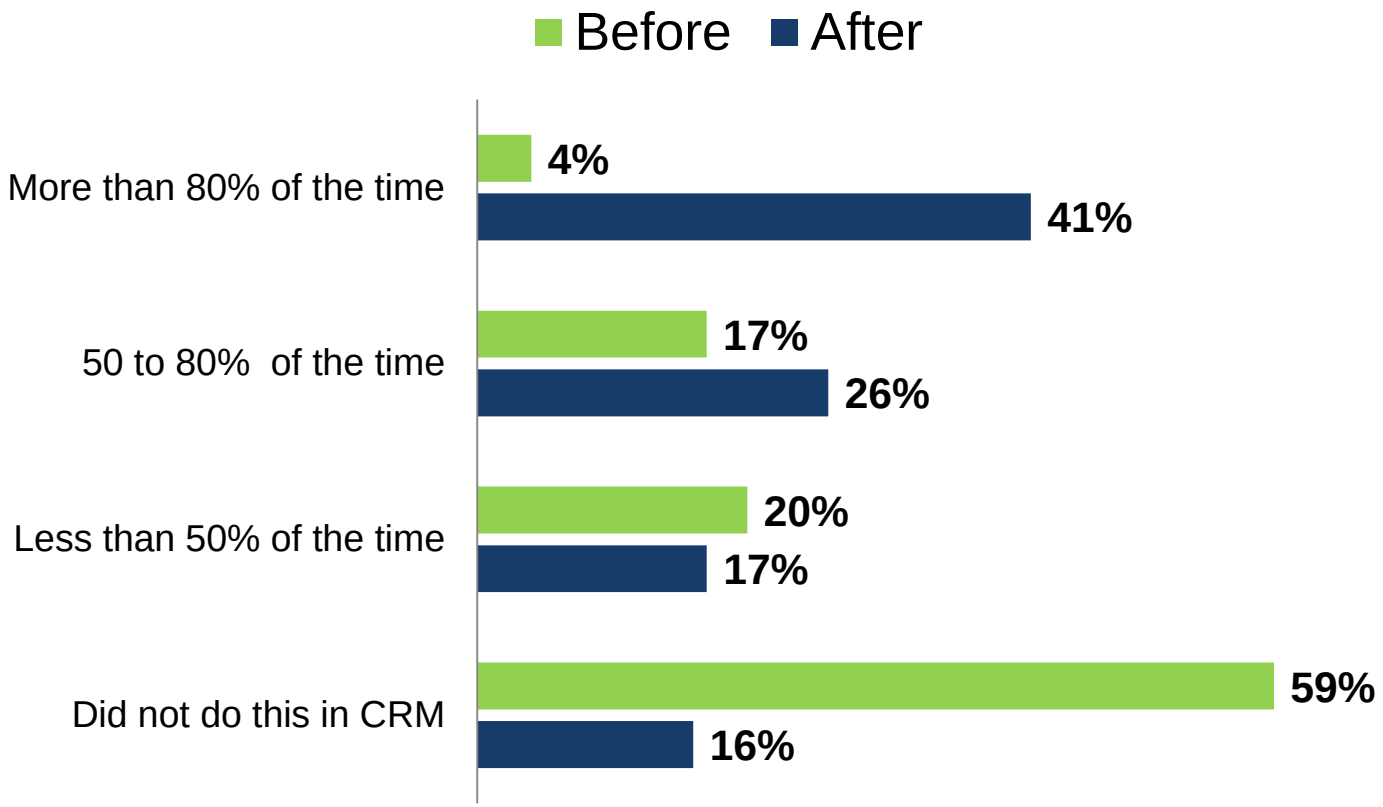
The Glue of Advice Management ›
Life Before and After Process Automation

Use of client/prospect meeting agendas, follow-up email templates, and mail-merge letter templates



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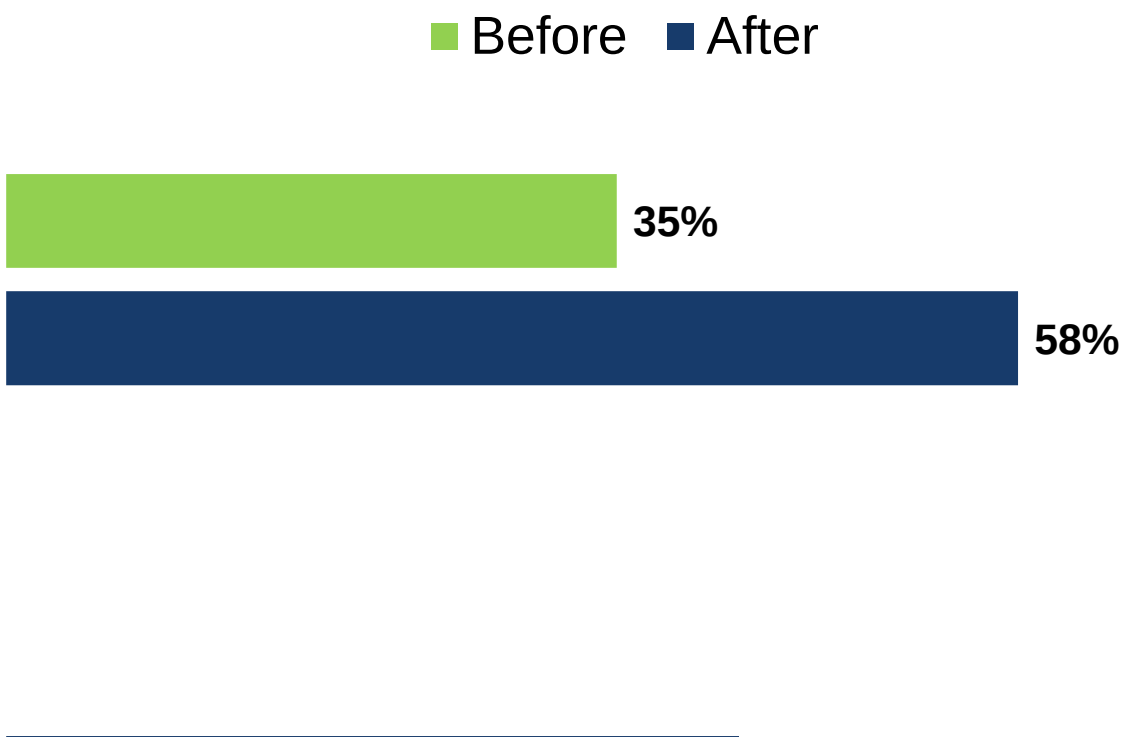
The Glue of Advice Management ›
Life Before and After Process Automation

Percentage of clients receiving financial planning



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Your Roadmap to an Advice Management Business Model

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Transitioning Into An Advice Management Process

- What **technology**?
- What are the **implications**?
- Roadmap to meet client's needs – how do you want to **serve your clients**?
  - Process approach
  - Planning approach

OPTION

1

Choose An Advice Management Business Model

Options to help you solve your front-end technology solutions.

DO IT YOURSELF

Taking on the work yourself means choosing the right technology components, figuring out how to integrate them; automating your business and planning processes and coaching staff how to use them effectively.

CLIENT IMPACT

Risk may be greater to client relationships if your efforts fail or long delays ensue. Be sure to survey clients about their uses, priorities and preferences before you implement changes; quality communication is essential.

PROS

- You have total control – and accountability for achieving your desired outcomes.
- Potentially the most cost-effective solution if you manage your budget effectively,

CONS

- 72% prefer the do-it-yourself approach to manage their overall technology platform.[1]
- Experts procure all the technology, integration and automation you will need to deliver advice.
- Independent B/Ds, consolidators, wirehouses and asset management platforms comprise this choice.

[1] SEI Financial Planning Online Survey, November 2017, n=542 Financial Advisors

OPTION
2

Choose An Advice Management Business Model

Options to help you solve your front-end technology solutions.

HIRE A CONSULTANT

Find a consultant to assess your technology requirements and your business and planning processes; make recommendations and help implement all the components.

CLIENT IMPACT

Depending on scope of the consulting assignment and implementation, this option may entail new procedures that may be challenging for clients; be sure to survey clients about the changes before you get too far down the path.

PROS

- Capitalize on the experience and success they've achieved for other firms
- Rely on third-party to recommend best practices for your operation

CONS

- May be the most expensive solution.
- Eventually, this approach may save you time and resources, but it may cost more to implement the recommended initiatives.
- No single consultant specializes in the full front-office ecosystem.

OPTION
3

Choose An Advice Management Business Model

Options to help you solve your front-end technology solutions.

ESTABLISHED PLATFORM SOLUTION

Embraces an all-inclusive platform that offers the full range of technology tools you'll need now and in the future.

CLIENT IMPACT

May result in additional changes to procedures, statements, and other operational standards that may be beyond your control and challenging for your clients to adapt to.

PROS

- Experts procure all the technology, integration and automation you will need to deliver advice.
- Independent B/Ds, consolidators, wirehouses and the rare asset management platform comprise this choice.

CONS

- Adoption may be rigid or mandatory.
- Possible loss of control of your business, clients and income potential.
- Not all platforms offer unbundled solutions; a third party may require you and your staff to become employees.

Roadmap to Meeting Client's Needs

Decide how you want to interact with clients	Decide your planning and process approach	Decide what platform you'll use
• Will segments be treated equally?	• Start with your client review	**The "Level 5" Approach** 1. First, understand the client segment(s) you're marketing to.
• How you will charge for the service?	• What processes do you have in place today?	2. Then formulate the workflow for your planning process
• Which modules will you start with (e.g., college planning, debt planning, estate planning, and retirement)?	• What additional staff will you need to implement?	3. Then implement your technology • Start with your custodian • Choose a CRM • Select financial planning software Consider: • Ease of use • Cost • Training • Documentation

Summary › The Future of Advice Management

- Today, there are many ways of providing financial planning to different types of client.
- **Mechanize the inside – Customize the outside**.
- “Old school” financial planning process is unchanged, but is implemented differently.
- New generation of financial planning companies is causing disruption.
- Financial planning – key to showing value.
- Clients have different planning needs and therefore may need different software (Dennis & Nicole).
- The new frontier: Advice Management – automating the financial planning process.
- Workflow before and after statistics show better efficiency and client satisfaction.

Who We Are

SEI is a leading global provider of wealth management solutions. We help professional wealth managers, institutional investors, and private investors create and manage wealth – and enable their long-term success – by providing solutions that are both comprehensive and innovative.

A Market Leader

- Manages $325 billion assets[1]
- Administers $516 billion in client assets[1]
- Leading global provider of Bank Trust technology
- Relationships with trust departments of 11 of the 20 largest U.S. banks[1]

A Successful Company

- Founded in 1968, a public company since 1981 (NASDAQ: SEIC)
- 2016 revenues: $1.40 billion[2]
- 2016 net income: $333 million[2]

A Global Company

- 3,525 employees worldwide[1]

SEI Advisor Network

- 25 years of experience in providing outsourced solutions to independent advisors
- Over 7,300 advisors using SEI's solution[1]
- $62 billion in advisors' AUM[1]
- SEI is the one of the top U.S. Advisory Third-Party Managed Account Providers[3]
- One-stop accountability with SEI Private Trust Company

[1]As of September 30, 2017
[2]As of December 31, 2016
[3]Cerulli Associates, Q2 2017

SEI Advisor Network › A Comprehensive Solution

INVESTMENT & WEALTH PROGRAMS

Investment Philosophy

- Scientific, disciplined, and time-tested approach
- Supports liquidity, accumulation & distribution
- Targeted asset allocation
- Multiple specialist managers with dynamic asset allocation
- Ongoing oversight

Investment Strategies

- Mutual Fund Models
- Managed Accounts
- ETF Strategies
- Goals -Based Strategies
- Distribution - Focused Strategies
- Tax Management
- Taxable Ladders
  - Corporate
  - TIPS
- Municipal Ladders
  - National
  - State Focused/ Specific

Wealth Programs

Banking

- FDIC-insured CD program
- Debit card
- Online bill pay
- Checking
- Securities-backed lines of credit
- Insurance premium payment program (IP3)

Trusts

- Agent or directed trustee in 50 states

Charitable giving

- Donor-advised fund

ADMINISTRATION & TECHNOLOGY

Wealth Platform & Technology

- Full Custody
- No trading fees
- No IRA fees
- Automated Trade processing
- Auto fee calc & deduction
- Systematic withdrawals
- Portfolio rebalancing
- Model management
- Householding
- UMA
- Proposal System
- Tax loss harvesting
- Tax reporting
- Integrated workflows & approvals
- Advisor & Admin custom Dashboards
- Online Account app with e-signature
- Advanced performance reporting
- Goals-based client statements
- Account Aggregation
- New End-investor website
- Comprehensive Downloading capabilities
- Deep integration with CRM's and Fin Planning

PRACTICE MANAGEMENT PROGRAMS

Business Transition

- Dedicated project management team
- Client segmentation
- Develop a project plan
- Complete IPS & proposals
- Complete all account open paperwork
- Assist in client meetings

Case Management

- Investment advice, planning, & presentation support
- Experienced team of CFAS, CFPS, & CPAS.
- Customized performance analytics
- Ongoing proposal support
- Online proposal tool

Marketing & Growth Programs

- Custom marketing materials
- Investor-approved seminars
- Research papers and commentaries
- Quarterly investment reviews
- Coaching & growth programs
- Market positioning & branding
- Marketing planning guides

* Banking services provided by The Bancorp

Disclaimer

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The types of investors have been categorized by SEI based on shared demographics we found meaningful to distinguish between from our study responses and are for illustration only.

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