

PERSPECTIVES

# Wealth Management Evolution: Strategies for Competing in a Crowded Market



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This summer, I had the privilege of leading an expert discussion at INSITE, our company's premier national industry conference. The session explored a question that's on the mind of every wealth manager: *How do we evolve our firm to seize the future while still meeting the competitive challenges of today?*

Sharing their perspectives on this timely question were three of our company's senior executives: **Ainslie Simmonds**, President of Pershing X; **Hanneke Smits**, CEO of BNY Mellon Investment Management; and **Catherine Keating**, who leads the BNY Mellon Investor Solutions and Wealth Management businesses. The panel highlighted four key factors for driving change:



## Customization

PERSONALIZING INVESTMENTS  
TO SUIT UNIQUE CLIENT  
DEMANDS



## Investor Transformation

ENGAGING A BROADER, TECH-  
ENABLED CLIENT UNIVERSE



## Advisory Evolution

USING DATA AND TECH TO  
ENHANCE ADVISOR EXPERIENCE



## Institutionalization

BLENDING AN INSTITUTIONAL  
MINDSET WITH BROADER  
SOLUTIONS



## Customization

### PERSONALIZING INVESTMENTS TO SUIT UNIQUE CLIENT DEMANDS

The Baby Boom generation is moving from accumulation to decumulation, which is driving the need for more customized solutions to address individuals' specific priorities, whether it's absolute returns, continued retirement income, inflation protection or other things. This means that firms need to offer these investors a menu of options, and advisors must be prepared to deliver them to the client. Another driver of customization, for investors in all stages of life, is the wish to align portfolios with personal values. Fortunately, more refined customization of portfolios is being enabled by better data and technology, as well as more efficient wrappers and richer investment capabilities. Another important development is the advent of advanced technology that can create un-pooled vehicles that offer personalized options, which are then packaged and managed for tax optimization. Looking forward, alternatives and blockchain technology are likely to play a significant role in delivering customization for clients.



“We’re seeing a greater need for customization as investors increasingly look for specific investment outcomes, such as income or inflation protection. For some, they want a portfolio that reflects their personal values, which vary from person to person. One might want to address climate change, another might care more about social issues, and a third might care about both. From my perspective, it’s an exciting time to be working with advisors to bring a suite of solutions to the end investor.”

- Hanneke Smits



## Investor Transformation

### ENGAGING A BROADER, TECH-ENABLED CLIENT UNIVERSE

Today in the U.S., individuals control almost two-thirds of financial assets, with the lion's share held by Baby Boomers. An estimated \$30 trillion in wealth will be transferred over the next 25 years—mainly to a new generation of individual investors, who will be younger, more diverse and, by definition, about half women. Studies indicate that women's risk tolerance and confidence levels regarding investment can differ from men's, and that they sometimes believe they need a higher income than men to start investing. So, it's sobering that a recent BNY Mellon study, *The Pathway to Inclusive Investment*, revealed that our industry continues to focus mainly on serving male clients. This data suggests the need for transformation in how our industry approaches the marketplace. Broadening this perspective by engaging women and a more diverse client universe can help firms deliver value to more people and will generate significant flows—measured in the trillions—into the industry in the coming period.

86%

of asset managers state that their default investment customer is a man

73%

state that their organization's investment products are primarily aimed at men

Investor transformation is also occurring at rapid speed in the digital space, and people engage with their advisors and portfolios in new ways. Accelerated by the pandemic, fuller technology adoption appears to have staying power, which means that advisors and their clients are likely to continue to hold meetings and collaborate using digital tools. The challenge here will be to broaden and refine our digital toolkits to deliver an ever-better investor experience while also leveraging this trend to improve advisor productivity.



## Advisory Evolution

### USING DATA AND TECH TO ENHANCE THE ADVISOR EXPERIENCE

Transformation at the investor level is driving fundamental changes in how advice is delivered. As clients become more diverse, they expect that our industry will look, communicate and approach the world the same way they do. As a result, the talent composition of firms—from recruiting to hiring to training—will evolve. This is a positive development because we know that diverse teams achieve stronger investment results, with higher returns on capital, and deliver better sales results.

The other force that's driving positive change is data. Businesses that think about their data layer and harness it to empower advisors can unlock significant value in terms of productivity and revenue. On the investment management side, data provides insights with respect to clients' needs and helps us bring marketplace insights into research to deliver better outcomes for them. When wealth managers can access integrated data across multiple disciplines—investing, borrowing, spending, protection, tax management—it allows them to deliver advice that's highly relevant at greater scale.



“Studies show that 25% of advisors' time today is spent with clients, while 75% is spent behind the desk. Pershing X is trying to solve this problem. We want to flip the equation, so that in the future advisors will have more time—to transform the workforce, serve more people and be more intentional about how they work, and how they will be there for the clients of the future.”

- Ainslie Simmonds



## Institutionalization

### BLENDING AN INSTITUTIONAL MINDSET WITH BROADER SOLUTIONS

A good number of Baby Boomers retired with traditional pension plans that provided basic income for the rest of their lives, usually in combination with federal benefits like Social Security. This meant that their advisors mainly managed clients' personal investments/savings. But now, and in the years ahead, wealth managers have a broader mandate—we could call it a public service—as they guide clients toward a secure retirement while acting as retirement plan “CIOs” and, to a degree, de-facto “CFOs” as well.

If we accept this idea, that we are the “retirement plan” for our clients, we must be able to provide institutional quality portfolios. If you think about the three major goals for a portfolio—growth, income and volatility management—it will require employing both public and private investments to deliver the envisioned outcomes. But we also must acknowledge that even a great investment portfolio cannot secure a clients’ financial future all on its own. There is an entire range of factors, economic and otherwise, that impact client goals. The current pandemic is one case in point. This is why bringing an institutional mindset to the challenge is critical, knowing that solutions must stretch beyond investments and be tailored to the individual client’s life.



“Being the retirement plan for clients means having institutional-quality portfolios. But an investment portfolio alone isn’t always enough. The decision-making processes of the best-run institutions include the disciplines of a CIO, CFO and Chief Human Resource Officer. We’ve reframed these institutional disciplines into five practices for individuals—investing, borrowing, spending, managing taxes and fees, and protecting assets and legacy. We’ve learned over many decades that attention to these five practices maximizes long-term financial success.”

- Catherine Keating

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## Looking Ahead

The common thread connecting insights from Catherine, Ainslie and Hanneke was confidence—a strong belief that the best days for wealth management lie ahead. The availability of data, improvements in technology, and better integration of systems and solutions will offer firms and advisors new opportunities to drive revenue, improve productivity and serve clients better. Meanwhile, taking steps to engage women investors, and a more diverse investor universe in general, will create opportunities to help more people achieve financial security while solidifying our industry’s reputation as providers not just of investments and products, but as professionals serving a vital need for the American people in a turbulent age.

## Putting Insights *Into Action*

Contact your relationship manager to discuss how these insights impact your business.

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