Imagine That! How to Be Curious, Embrace Technology and Empower Your Firm for the Future

Tom McCarthy, Head of Platform Technology, Fidelity Institutional
Topics

eAdvisors: How to Map Technology to the Customer Journey

Wealthscape*: An Update
The Wealth Management Industry is in a Period of Unprecedented Change

- Regulatory change
- Shifting investor demographics
- Disruptive technology and the rise of “robo” advisors
- Industry consolidation
- Advisor supply-demand imbalance
- Increasing value placed on all types of planning

Business Strategy
Anticipated Price Shift in our Industry

Bulk of wealth with aging investors
- 83% AUM held by clients over 50 years old\(^1\)

Wealth transfer opportunity
- $1T projected to transfer to Gen X/Y individuals every year through at least 2050\(^2\)

Few firms have engaged next gen
- 33% of firms’ AUM is held by multi-generational clients\(^1\)

Younger gen is fee sensitive
- 49% Gen X/Y investors said they would be more likely to work with a financial advisor if fees were lower\(^3\)

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\(^1\) Source: The 2016 Fidelity RIA Benchmarking Study
\(^2\) Source: Accenture Wealth and Asset Management Services Point of View: the “Greater” wealth Transfer Capitalizing on the Intergenerational Shift in Wealth, 2015
\(^3\) Source: Fidelity 2016 Millionaire Outlook Study
There is a Persistent Organic Growth Challenge in the Industry

Organic growth consistently below 10%, dipping to 6.7% in 2015

Organic growth is defined as total AUM growth less any growth driven by investment performance or M&A activity.

Source: The 2012-2016 Fidelity RIA Benchmarking Studies
Advisors Believe Technology Can Help Them Grow Their Businesses

Advisors acknowledge technology can help them grow, and they want to learn more.

Topics I’d like learn more about to help grow my business

<table>
<thead>
<tr>
<th>Topic</th>
<th>Owners</th>
<th>Non-Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging investors and diminished capacity</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>Intergenerational wealth transfer</td>
<td>19%</td>
<td>29%</td>
</tr>
<tr>
<td>Risk and compliance</td>
<td>25%</td>
<td>12%</td>
</tr>
<tr>
<td>Advisor operational efficiencies</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>Pricing models/trends for services</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>How to better leverage technology</td>
<td>49%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: The 2016 Fidelity Advisor Community Study: YOY Analysis
Investors More Likely to Recommend Advisors Using Technology Well

Clients are **more likely to recommend advisors** to others if they:

- **Efficiently incorporate technology** into his/her services
- **Use technology to enhance the services** he/she provides
- **Use technology to encourage client/advisor collaboration**

<table>
<thead>
<tr>
<th>Action</th>
<th>Promoters</th>
<th>Detractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiently incorporate technology into services</td>
<td>72%</td>
<td>40%</td>
</tr>
<tr>
<td>Use technology to enhance services they provide</td>
<td>66%</td>
<td>38%</td>
</tr>
<tr>
<td>Use technology to encourage client/advisor collaboration</td>
<td>53%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: 2016 Fidelity Investor Insights Study. This study was conducted during the period of January 5 through January 22, 2016. It involved a total of 1,287 20-minute (on average) online interviews, with the sample being provided by TNS, a third-party research firm not affiliated with Fidelity. Respondents were screened by a minimum level of investable assets (excluding retirement assets and primary residence), age, and income levels.
We Know Two Truths, Yet Gap Remains

Advisors know they need to embrace technology

Investors value technology in their relationships with advisors
eAdvisors Are Growing in Numbers

Source: The 2016 Fidelity Advisor Community Study: eAdvisors

2014

2016

eAdvisors use 2x as many online capabilities as peers
## eAdvisors are succeeding in many ways

<table>
<thead>
<tr>
<th>Feature</th>
<th>eAdvisors</th>
<th>Other advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher AUM (median)</td>
<td>$75M</td>
<td>$53M</td>
</tr>
<tr>
<td>More high value clients ($1M+)</td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td>More AUM per client (median)</td>
<td>$364K</td>
<td>$270K</td>
</tr>
<tr>
<td>More Gen X/Y clients</td>
<td>44%</td>
<td>34%</td>
</tr>
<tr>
<td>Higher compensation</td>
<td>$306K</td>
<td>$248K</td>
</tr>
<tr>
<td>More likely to be CFP</td>
<td>39%</td>
<td>26%</td>
</tr>
<tr>
<td>More satisfied with their firm</td>
<td>39%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: The 2016 Fidelity Advisor Community Study: eAdvisors
eAdvisors Are Also Strategic Thinkers and Business Planners

- 54% of eAdvisors already have a client segmentation strategy Vs. 34% of non-eAdvisors
- 22% of 2016 eAdvisors plan to use a digital advisor to augment services in the next 1-2 years*
- 80% of eAdvisors believe online strategy is more/much more important than other firm initiatives

Source: The 2016 Fidelity Advisor Community Study: eAdvisors
What Will Create a Tipping Point for the Other 60 Percent of Advisors?

Source: The 2016 Fidelity Advisor Community Study: eAdvisors
Imagine the Client Experience You Want to Create

Visualize the end game

Map how to get there
Imagine the Client Experience You Want to Create
The Six Stages of Client Engagement

- Lead generation and prospect engagement
- Sales process
- Client onboarding
- Ongoing planning & advice
- Scheduled client reviews
- Ongoing service and communications

Understanding the Client Journey Will Take You Far
Lead Generation & Prospect Engagement

- **81%** of eAdvisors are using CRM software to track prospect interactions.
- **More than 50%** of eAdvisors use Facebook, LinkedIn and Twitter to engage Clients/Prospects.
- **57%** of eAdvisors’ websites have specific forms to gather lead information.
- **60%** use social media to increase website views.
- **54%** of eAdvisors already have a client segmentation strategy.
- **54%** of eAdvisors use Google Analytics to track website traffic.
- **81%** of eAdvisors are using CRM software to track prospect interactions.

eAdvisors *highly value website and other lead gen tools*

- **80%** of High Earning Millennials say that they have a significantly more positive impression of financial advisors who have a **good website**.

The 2016 Fidelity Advisor Community Study: eAdvisors
Investors view two of the top benefits of using paperless alternatives for financial-related purposes as *time-saving* and *accessible*\(^1\)

Two-thirds of eAdvisors offer clients the ability to sign financial documents via *electronic signature*\(^2\)

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1. Findings and charts in this section are from the 2014 Fidelity Investor Insights study. Investors with median investable and retirement assets of $250,000. The 2016 Fidelity Investor Insights Study.  
2. The 2016 Fidelity Advisor Community Study: eAdvisors
eAdvisors are helping their clients embrace a broader view of their financial lives, through holistic planning, access to online tools, and an aggregated financial picture.

- 87% of eAdvisors use data aggregation tools to provide a total picture of clients' assets/liabilities\(^1\)
- 65% of eAdvisors are providing online access for younger investors\(^2\)
- 55% of eAdvisors are providing more holistic planning services for younger investors\(^2\)

\(^1\) The 2016 Fidelity Advisor Community Study: eAdvisors
\(^2\) The 2016 Fidelity Advisor Community Study: Future-Ready
Scheduled client reviews

77% of eAdvisors provide interactive or visual reports for clients

65% of eAdvisors bring tablets to in-person client meetings to view portfolios, reports, and/or financial information together with clients²

Source: The 2016 Fidelity Advisor Community Study: eAdvisors
Ongoing service and communications

- **eAdvisors**: 53%
- **Other advisors**: 19%

**Provide clients with automated email alerts** for things like trade executions, market fluctuations, announcements, etc.

- **eAdvisors**: 52%
- **Other advisors**: 15%

**Use video conferencing** or online conferencing (e.g., Skype, Facetime) for meetings/conversation

- **eAdvisors**: 49%
- **Other advisors**: 15%

**Update and/or communicate with clients via social media sites/platforms**

Source: The 2016 Fidelity Advisor Community Study: Advisor usage of collaboration tools and website
The 2014 Fidelity Advisor Insights Study
Wealthscape<sup>SM</sup>: An Update
We Shared Our Vision for Wealthscape℠ One Year Ago…

Wealthscape
The gateway to your total advisor platform

- Brokerage Solutions
- Advisory
- Reporting & Analytics
- Integrations
- Planning
- Investment & Retirement Products
- Consolidated Data
- Workflow
- Digital Advice

Wealthscape
The gateway to your total advisor platform
What We Accomplished in 2016

- Advanced Analytics
- eMoney Integrations
- Performance Measurement
- Consolidated Data Platform
- Wealthscape℠
Streamlined Client Import – Select clients you would like to import from Fidelity’s platform and you’ll have access to them in eMoney without any manual data entry.

Advisors can easily create a Household View so investors can see all of their accounts in one place.

Enhanced Investor Self-Registration – With a single click advisors can send clients a branded email and registration link.

Investors can access documents like statements and tax forms through the eMoney Vault.

The Success of Deep Fidelity/eMoney Integrations

- **Single Sign-On** – Allows advisors to move seamlessly between eMoney products and Fidelity’s platform.

- **Streamlined Client Import** – Select clients you would like to import from Fidelity’s platform and you’ll have access to them in eMoney without any manual data entry.

- Advisors can easily create a Household View so investors can see all of their accounts in one place.

- **Enhanced Investor Self-Registration** – With a single click advisors can send clients a branded email and registration link.

- Investors can access documents like statements and tax forms through the eMoney Vault.

Firms utilizing Fidelity/eMoney integrations since available in September 2016

Users of Fidelity/eMoney integrations since available in September 2016

Single Sign-on

- **200+** Firms utilizing Fidelity/eMoney integrations since available in September 2016

- **650+** Users of Fidelity/eMoney integrations since available in September 2016

Streamlines Client Import

- Maria Chang, Forest Financial Advisors

- Total: $54.32M

- Assets Under Management

- Cash Equivalent

- Qualified Retirement

- Life Insurance

- Taxable Investment

- Other

- $2,716,000

- $12,493,600

- $5,532,000

- $32,992,000

- $1,086,400

- Total: $68.73M

- Assets Held Away

- Cash Equivalent

- Qualified Retirement

- Life Insurance

- Taxable Investment

- Other

- $12,082,500

- $9,579,500

- $9,165,000

- $24,990,000

- $883,000
Paperless Account Opening & TOA

Investor

- Paperless Account Opening and TOA
- Alerts
- Account Maintenance
- Performance Measurement*

Advisor

- AO Prefill from eMX
- Planning to Action
- Performance Measurement*

* Requires purchase of TAP PMA or AMP
Many Advisors Work with Portfolio Tools that Are Not Integrated

Advisors need to manage successful portfolios and drive heightened client engagement…simultaneously

Foster **Client Relationships** and **Grow Business**

But unintegrated portfolio tools can lead to **inefficiencies**: **Costly**, **Time-Consuming**, **Inaccurate**

Manage portfolios with **unintegrated portfolio tools**

Brokerage → Planning
New Integrated Tools Help Streamline Portfolio Management

Wealthscape℠ Portfolio Tools help drive efficiencies by streamlining technology and the traditional portfolio management process.

When the full suite of Wealthscape℠ Portfolio Tools is complete, they will deliver enhanced benefits to advisors:

- **Deeply Anchored**
  - Deeply integrated with each other, with the Wealthscape platform, and with the eMoney platform*
  - Supported by fully-reconciled Fidelity and multi-custodial data

- **End-to-End**
  - Seamlessly manage portfolios from proposals to billing

- **Synthesis of Technology**
  - Enables a simpler technology system by linking Portfolio Tools with a clearing & custody platform

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**Performance Measurement**
Available April 2017

**Advanced Modeling & Rebalancing**
First Enhancements Available April 2017, continuing throughout 2017 and 2018

**Fee Billing**
Coming in 2018

**Proposal Generation**
Coming in 2017

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*eMoney integrations are planned for Performance Measurement only*
Wealthscape\textsuperscript{SM} Performance Measurement April 2017

- Rates of Return
- Benchmarking & Risk Indicators
- Data Quality Status Indicator
- Investor Access with eMoney
- Customize Experience
- On-demand PDF Generation
- Multi-Device Experience
Three options to provide **flexibility**, with resources to help you **succeed**

1. **Fidelity AMP (Automated Managed Platform)**
   - Co-developed with **eMoney**

2. **Integrate**
   - Develop deeper links with limited **third party software providers**

3. **APIs**
   - Accommodate **leading third party solutions** – based on client demand & due diligence

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**With Resources to Help You Succeed**

- Preparing for Next Gen Advisors and Investors
- eAdvisors Take the Lead
- Digging into Digital Advice
- Digital Imperative (NEW October 2016)
- Digital Advice Roadmap (NEW Q1 2017)

[Go.Fidelity.com/Wealthscape](Go.Fidelity.com/Wealthscape)
Fidelity AMP – a Digital Advice Solution Co-Developed with eMoney

A planning-led, custom-built solution for firms and advisors

Integrated
Deeply integrated software ensures a streamlined experience for all users

Flexible
Customizable to give advisors and firms maximum control

Future-Ready
Allows advisors to more efficiently serve emerging segments

**Complete investor process** allowing quick account opening

**Alerts** within platforms inform advisors

**Paperless** system

**Advisors can…**

**White label** end investor portal and marketing materials

**Configure IPQ and risk scoring** Firm level

**Tailor service model and fee** Either straight through or options to review and approve

**Attract and prepare for emerging wealth**
Modern experience for tech savvy end investors

**Intuitive interface** so end investors on-board themselves

**Scalable fiduciary system** to efficiently manage smaller accounts
Fidelity AMP – a Digital Advice Solution Co-Developed with eMoney

Manage digital and fully-advised end clients side-by-side

To easily evolve investors from automated to collaborative service

Digital end investor data can be filtered in eMoney…

…and from tools in the Wealthscape™ platform
What Will Wealthscape℠ Bring in 2017?

- Performance Measurement
- Household M&R
- Cashiering & Workflow
- Digital
- Wealthscape Investor
- eMoney enhancements
- Asset Class M&R
- Advisor workflows
- Multi-custodial data
- Analytics
Thank you

To learn more:

Visit Booth 300 in the Exhibit Hall

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