

Navigating the new normal for wealth management

How fee transparency can
increase value for clients



Introduction

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Managing a global health and economic crisis

The COVID-19 pandemic is an unprecedented humanitarian and economic crisis causing health concerns and hardship for consumers, businesses and communities worldwide. Governments, the medical community, industry, and individuals are all stepping up in their own way to help combat the virus and stabilize the economy.

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Impact on wealth management

As an industry, wealth management has been heavily impacted. In less than one month, markets dropped ~30% from their peak value¹. The ongoing volatility and uncertainty has forced many businesses to redefine their objectives and business models as they see ongoing cuts to revenue due to the reduction of AUM.

68% of clients want advice and planning ... the need is highest during major life events².



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Investor discontent

In the midst of this worldwide turmoil, there's also a growing tide of investors questioning the value they receive from their advisors. According to EY, one third of global investors are planning to switch wealth managers in the next three years². Recent market volatility and investor anxiety put many firms at further risk of losing their most valued clients, forcing many to scramble to protect their books and client investments.

During periods of crisis and uncertainty, investors look to their wealth advisors for guidance and reassurance. Firms that fully engage with their clients, provide transparency, and create value will help reinforce client trust and loyalty, and strengthen relationships to weather these difficult times.

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Opportunities for leadership

To manage risk and remain competitive, successful firms will have to mobilize their entire business to redefine the value they provide to their clients, and develop a coordinated, communications strategy to reinforce that value. Firms that can quickly pivot around the new market demands will gain an upper hand in the rapidly changing marketplace.

Many larger players, such as banks and broker-dealers, may be at a disadvantage given their scale and the pressure of complying with new regulations such as Reg BI and Form CRS. This presents a window of opportunity for forward-looking independent firms and smaller wealth managers to compete more effectively and set themselves up for continued growth.



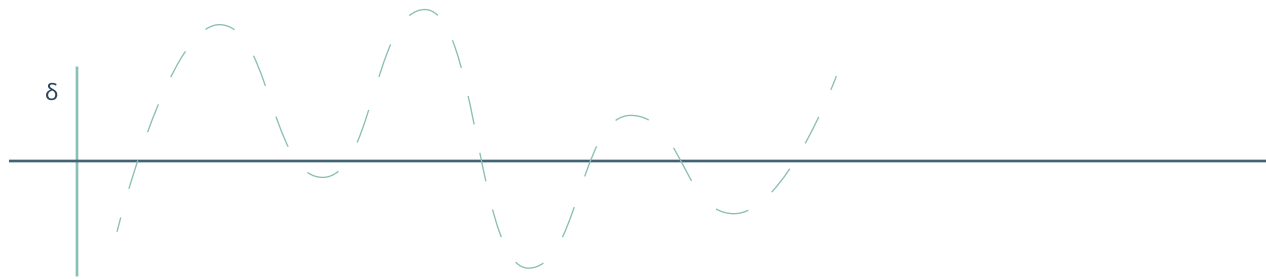
5 ways

to increase
the value
you provide
to clients

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Demonstrate your value with fee transparency



Challenge

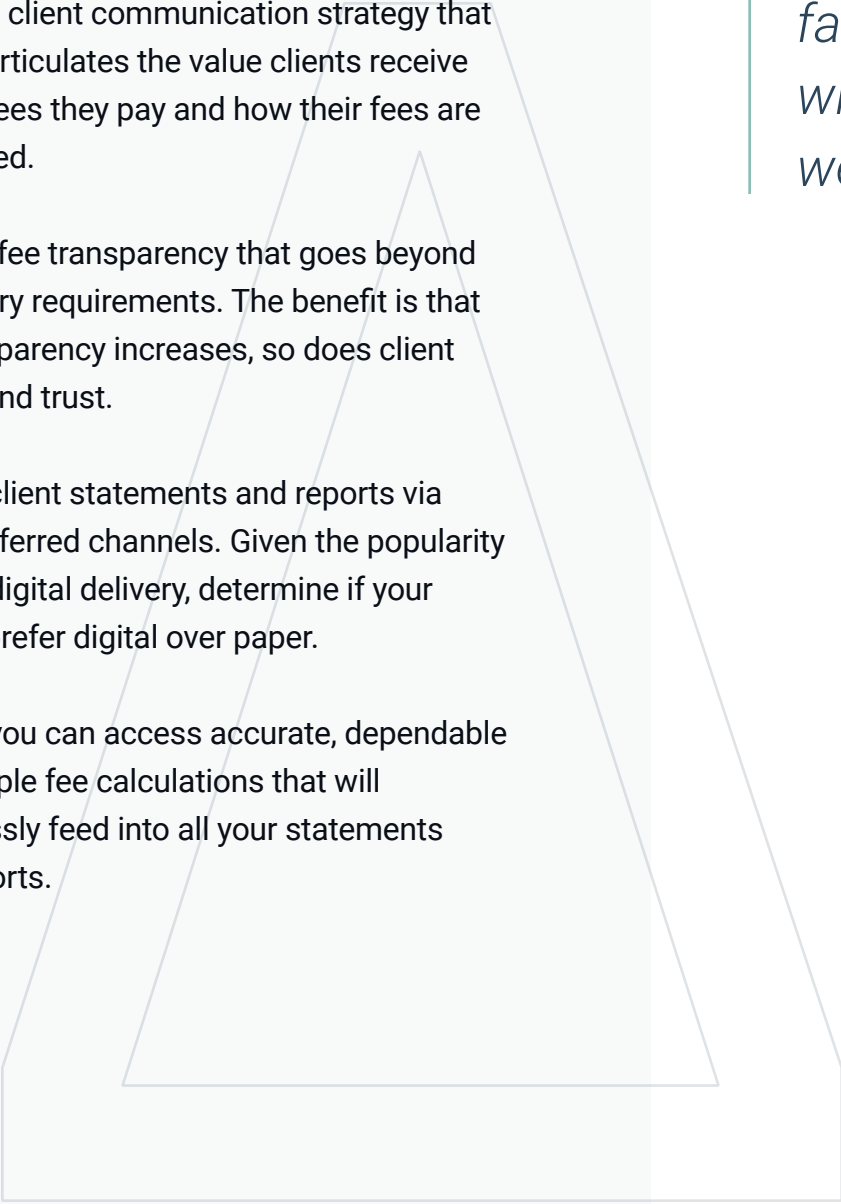
Pricing is one of key factors investors consider when selecting a wealth manager. As well, 45% of discretionary wealth management clients are dissatisfied with the fees they pay and don't trust that they are being charged fairly².

The notorious lack of transparency in the wealth management industry around the disclosure of pricing and fee structures is one of the root causes for investor discontent. Lack of fee transparency also equates to a lack of perceived value. Investors are left questioning the value that their wealth advisors provide and whether that advice is worth what they're paying in fees.

Transparency can be more challenging for larger firms with a complicated product shelf, but smaller firms can also find it a daunting task if their systems don't facilitate transparent reporting. The increased regulatory focus on transparency (e.g. Reg BI, RDR, MiFiD II, CRM2, and CFR) makes transparency not only advisable but also mandatory for compliance.



Opportunity

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- ▶ Create a client communication strategy that clearly articulates the value clients receive for the fees they pay and how their fees are structured.
 - ▶ Provide fee transparency that goes beyond regulatory requirements. The benefit is that as transparency increases, so does client loyalty and trust.
 - ▶ Deliver client statements and reports via their preferred channels. Given the popularity now of digital delivery, determine if your clients prefer digital over paper.
 - ▶ Ensure you can access accurate, dependable and simple fee calculations that will seamlessly feed into all your statements and reports.

Pricing transparency and competitive fees among the top 5 factors for clients when selecting wealth managers².

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Ensure compliance with a holistic view of clients

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Challenge

New regulatory frameworks, such as Reg BI, require that wealth firms meet a higher level of scrutiny and compliance around fees, suitability, and client best interest. As part of the compliance process, it's essential to have an overall view of each client.

However, firms of all sizes often struggle with the complexities of data management and are unable to connect fragmented data sources into one consolidated system. This may result in a disbursed view of the customer, hindering a firm's ability to deliver exceptional client experiences. It may also jeopardize a firm's ability to comply with regulatory requirements such as Reg BI and Form CRS.

Opportunity

- & Ensure that your fee calculator can effectively aggregate data from all possible sources, including systems for onboarding, CRM, and portfolio management, as well as custodian integrations, and market data sources.
- & When choosing a new fee calculation platform, only work with suppliers that have extensive experience cleaning, managing and aggregating large amounts of sensitive data.
- & When creating Form CRS and layered documentation, clearly document where the fees are being applied and to which products. Ensure that the standard of care has been applied before or at the time of recommendation for portfolios and transactions.

Invest in and build customer insights engines, developing a comprehensive view of clients³.

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3 Differentiate with tailored pricing

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Challenge

There are many alternatives for investors to consider in the market today. Robo-advisors and other low-fee options bombard clients with messages about deriving better value for their money. Because clients work with up to five firms on average, asset consolidation and differentiation can be challenging. In the world of hyper-targeted and personalized experiences, firms will win the differentiation war by providing the best advice, best product, and best service.



Opportunity

- \$ Tailor your pricing strategies based on client relationships with asset class, security exclusions, performance fees, multi-household tiering, and other types of fees. Relationship pricing will help differentiate your firm from the competition.
- \$ Predict the lifetime value of a client and base pricing recommendations on their revenue-generating opportunity. For example, consider tiering assets across multiple related families for high net worth and ultra high net worth clients.
- \$ Change your fee practices to accommodate discounts and exclusions on fees at any level (asset class, security, client, household, or households of households). Also, be able to apply promotions such as grace periods or one-time fees.
- \$ Have the flexibility to calculate fees using a variety of different methodologies including true daily, monthly, and quarterly with the ability to apply tiered fee schedules.

Firms must recalibrate their pricing models and do a better job of communicating their value to clients².

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Reduce reputational risk with automation

Challenge

Fees and billing is one of the highest risk functions of any wealth firm. Interrupting this revenue stream could be devastating. Billing errors and undetected data anomalies can lead to regulatory fines and serious damage to a firm's reputation. Managing this risk manually leads to higher back office costs. Also, fee calculations that aren't automated can lead to costly mistakes and take away from other, more strategically important tasks.

Opportunity

- % Invest in an automated and robust solution for fees and billing. Ensure that it can accurately calculate and accrue fees daily across all accounts, has the flexibility to handle incentives or performance fees on assets, and can take into account referral fees.
- % Protect the core revenue-generating function with a multi-step, fee processing workflow and fee volatility analytics. Further reduce back office cost by partially or fully automating new account onboarding and fee processing workflows.
- % Identify and prevent costly mistakes with machine learning techniques designed to spot data anomalies.
- % Eliminate the risk of incorrect billing with automated tests to ensure that fees were properly applied.

Operational excellence will be critical for defending margins in an era of greater fee transparency and lower fees³.

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5 Accelerate growth with scalable tech solutions

Challenge

As a business grows, whether organically or through acquisitions, so does the need for accurate and dependable revenue reporting. Acquisitions can result in major integration costs to add the new business to the platform and maintain different fee structures, especially if the acquired firm relied on manual calculations or outdated systems to calculate their revenue.

Wealth firms focused on growth should look for automated, scalable solutions to calculate their fees and handle other critical functions including portfolio management, risk management, and CRM.



Opportunity

- ✚ When considering a fee calculation solution, think about future applications. Choose one that can interact seamlessly with your existing tech stack and other systems, including client book of record, product shelf, risk algorithms, and portfolio management systems.
- ✚ Ensure that your fee solution has the flexibility to manage all lines of business, from mass market to ultra high net worth offerings, and can accommodate various geographies, fee types and client types.
- ✚ Look for a fees and billing solution that runs on a cloud-based platform. This ensures more efficient operations, automated updates, reduced compliance risk, easier reporting, and scalability to support your firm's growth.

Forward-looking firms are developing fee structures that offer clients more options and certainty².



PureFacts Fees & Billing Solution

Our industry-leading solution Fees & Billing Solution automates fee processing and revenue management, and enables our clients to demonstrate the value of their advice.

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Key features

Build trust with daily fee transparency β

Fully transparent fee calculation process makes it easy to explain how daily fees are calculated and demonstrates the value of advice.

Reduce back office cost θ

Our single platform has the flexibility to manage all lines of business – from mass market to ultra-high-net worth offerings.

Differentiate with tailored pricing σ

We can tailor pricing strategies to your client needs with asset class, security exclusions, performance fees, multi-household tiering, and more.

Manage risk with accurate daily calculation u

Exceed regulatory requirements and protect your core revenue-generating functions with fee processing workflow and fee volatility analytics.

About PureFacts

Manage change with new technologies for growth

In times of unprecedented upheaval, PureFacts helps you manage change by leveraging new technologies for our mission-critical software solutions.

We help forward-thinking wealth management firms not only provide the best possible wealth advice, but also capture, grow and protect the value of that advice. When you partner with PureFacts you harness over 10 years of experience in financial services, technology, data aggregation, and analytics.

At a glance:

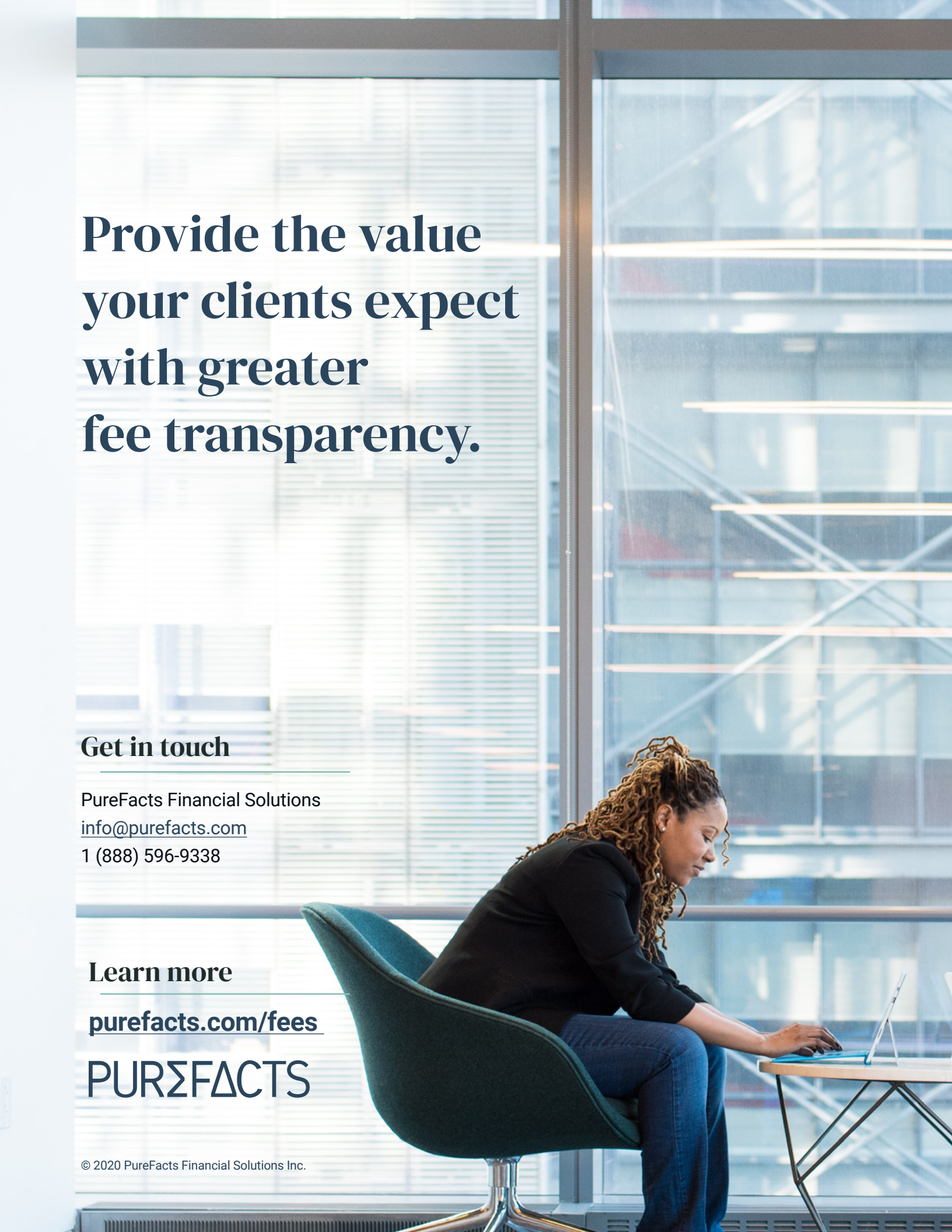
- Σ Fully bootstrapped and profitable every year since inception
- Σ ~50 clients serviced with total AUM of \$250bn+
- Σ Trusted wealth technology partner to large banks and leading investment firms

Sources

¹ [McKinsey & Company: Wealth Management in Asia](#)

² [EY 2019 Global Wealth Management Research Report](#)

³ [McKinsey & Company: On the cusp of change](#)



Provide the value your clients expect with greater fee transparency.

Get in touch

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Learn more

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