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Research Shows Financial Planners Considering Robo Technology to Augment Service Offerings

New study of the FPA Research and Practice Institute™ looks at trends and issues shaping financial planning today and in the future

DENVER – While 42 percent of financial planners say they do not plan to utilize robo technology in their financial planning offering to clients, more than half say they are using it – or will consider it – as part of their services to clients, revealed ***Financial Planning in 2015: Today's Demands, Tomorrow's Challenges*** – the latest study by the FPA Research and Practice Institute™.

While the study, which is now available, only briefly touched on robo technology, feedback from those planners considering it for their businesses revealed the key reasons why. Respondents spoke about using it as a supplement to the advice they provide, outsourcing investment management to focus on the value-add side of the business, creating a segmented service offering and targeting younger or cost-conscious clients. All verbatims on this issue are available in the report.

"Robo technology should not be confused with financial planners, especially CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals who are skilled at looking at all aspects of a person's financial life, including tax planning, estate planning, education funding, insurance, risk management, risk tolerance, life goals and so much more," says 2015 FPA President Edward W. Gjertsen II, CFP®. "Financial planning is a process that involves much more than a simplified approach in allocating one's investment portfolio. With that said, it stands to reason that some practices may be considering robos to augment current offerings, especially for younger clients and those with simple financial situations."

The primary focus of ***Financial Planning in 2015: Today's Demands, Tomorrow's Challenges*** was to explore several key areas, including the critical issues financial planners will have to address in the coming years to effectively help their clients, the execution of the financial planning process, and client perceptions of financial planning. Of significant interest, other than how robo technology may be used going forward, are three other critical issues that all financial planners will have to address going forward, including:

The changing client conversation. Respondents identified the following ten topics that are influencing client conversations as part of the financial planning process.

- Helping clients navigate family dynamics, working with the next generation and associated estate planning issues
- Helping clients plan appropriately for age-related change, including the death of a spouse, elder care and long-term care
- Helping clients manage behaviors and emotions related to money and decision making
- Helping clients define their income needs in retirement and designing income strategies
- Risk management, including insurance and income protection strategies
- Responding to a low interest rate environment
- Helping clients navigate issues related to career
- Availability of new technologies
- Fees and value
- Navigating healthcare options today and post retirement

"Clearly the conversations financial planning professionals are having with their clients involve so much more than asset allocation," notes Valerie Chaillé, CFP®, FPA Practice Management Director. "As we consider how to incorporate robo technology into our practices and how to charge for our services, it becomes increasingly important to effectively demonstrate and communicate the value we provide to clients through holistic planning."

Client segmentation and specialization. About half of planners say they specialize in working with a specific market segment, with business owners topping the list of most common at 28 percent. Only 10 percent of respondents indicated that they specialize in working with millennials, while 14 percent say they do not work at all with this group of clients. Forty-four percent of respondents say they have adjusted – or completely changed – their offer for millennials.

Fees and profitability. On average, planners reported investing just over seven hours in developing an initial plan for a client. In addition, the team invested six hours on the initial plan. Despite the significant costs of delivery, only a third of all respondents said they always charge a separate fee for an initial plan. Both CFP® and Non-CFP® professionals are considerably less likely to charge separately for plan updates, and nearly a third of professionals (32%) offer a discount on the planning fee if the client implements the recommendations with them. Of the respondents who provide planning to some but not all of their clients, three-quarters said profitability is higher or much higher for the clients who receive financial planning.

"Our investor research highlights that less than a quarter of clients report receiving 'very high value relative to fees,'" according to Julie Littlechild, Founder of If Not Now Research. "We see evidence in this study that planners are looking to combat the issue through specialization. While that is encouraging, the additional time required will force planners to evaluate how they charge, otherwise they risk negatively impacting profitability."

Littlechild further explains that, "It's clear that planners will need to focus either on enhancing value through specialization, communicating value more effectively or operating more efficiently. And while many planners are responding by focusing on meeting the needs of a defined niche market, such as millennials, only a small percentage have actually changed their offer to meet the needs of that audience."

The study is based on a survey of 771 financial professionals who offer financial planning services to their clients. The online survey was fielded by If Not Now Research between July 31 and Aug. 14, 2015, and has a margin of error of +/- 3.53%. Of those responding, 68 percent hold the CERTIFIED FINANCIAL PLANNER™ (CFP®) certification. Thirty-eight percent are with an RIA, 22 percent are with a national or regional broker-dealer and seven percent are with a national or regional wire house. A third of all respondents generated $1 million or more in gross revenue in the last 12 months.

The ***Financial Planning in 2015: Today's Demands, Tomorrow's Challenges*** report is now available at OneFPA.org.

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Since 2000, the Financial Planning Association® (FPA®) has been the principal professional organization for CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals, educators, financial services professionals and students who seek advancement in a growing, dynamic profession. More than 24,000 FPA members adhere to the highest standards of professional competence, ethical conduct and clear, complete disclosure to those they serve. Through a collaborative effort to provide members with One Connection™ to tools and resources for professional education, business success, advocacy and community, FPA has become an indispensable force in the advancement of today's CFP® professional. Learn more about FPA at OneFPA.org and follow on Twitter at twitter.com/fpassociation.

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The FPA Research and Practice Institute™ is the CFP® professional's One Connection™ to practice and business management insights that help financial planners achieve business success. A program of the Financial Planning Association® (FPA®), the Institute conducts original research on business-centric topics and issues, including operations, personnel, human resources, marketing and technology. Detailed analyses, reports, whitepapers and resources, based on the research, are made available to financial planning professionals to help them identify their business gaps and address them. Learn more here.