

Digging into Digital Advice:

Lessons from new advice models mean potential new opportunities for traditional advisors

- **The emergence of digital advice is one of the fast-moving trends affecting advisors today.** A small but growing segment of investors is interacting with advisors digitally and showing an appetite for “virtual” financial advice, which may include low-cost investment management services, aggregated financial data, simplified recommendations, and transparent pricing all delivered entirely online through an engaging interface. While most of the providers servicing this space are considered business to consumer (B2C), a smaller (but growing) population of firms offers private-label capabilities to RIAs and broker-dealers in a business-to-business (B2B) model.
- **Digital platforms extend the reach of financial advice to more people.** In general, digital advice firms are targeting those investors who may be underserved by traditional advisors. Typically, these are mass affluent or mass market clients who are not meeting advisor investment minimums. In many cases, these investors happen to be Gen-X or Gen-Y (also known as “millennials”), who typically are digital natives¹ who are comfortable with technology and value accessibility.²
- **Advisors have the opportunity to evolve and strengthen their practices by effectively employing some of the tactics of digital advice providers.** In particular, the emergence of digital advice provides a new reason for traditional advisors to review their client segmentation strategy and their plans to engage younger clients, as well as their use of technology to enhance the overall client experience.

Inside:

- ✓ The emergence of digital advisors
- ✓ Surveying the landscape of digital advice
- ✓ Opportunities to evolve your practice
- ✓ Additional resources

¹The term “digital natives” was coined by Marc Prensky, an American writer and speaker on education and learning, and it refers to a generation of individuals who were born after the emergence of digital technologies.

²For purposes of this report, Gen-Y refers to those born from 1980 to 1992, Gen-X refers to those born from 1965 to 1979, and Baby Boomers+ refers to those born in 1964 or earlier.

Whether you are an advisor or operating at the home office, staying ahead of the competition requires you to keep a keen eye on the industry landscape, spotting new trends, opportunities, and even threats to your business. One growing trend that may affect your business is digital advice. To help you understand this trend—and potential opportunities it may present—Fidelity recently conducted its own assessment³ of the state of digital advice, relying on proprietary Fidelity research, third-party research, and conversations with several industry participants.

In the following pages, we share our findings on the digital landscape, providing insight you may want to consider to enhance your business and help you remain competitive over the long term.

I. The emergence of digital advisors

Over the past two decades, as generations of all ages have become more comfortable managing finances online, specific underserved segments—namely, younger investors—have turned to the online

world for financial guidance. In particular, some of these investors have embraced digital advice as a means of gaining greater clarity, as well as simplicity and accessibility, in managing their finances.

In recent Fidelity research, emerging affluent Gen-X and Gen-Y investors reported the following potential benefits of working with a digital advisor:⁴

#1	LOWER FEES FOR ADVICE
#2	EASE OF DOING BUSINESS
#3	LOW OR NO MINIMUM ASSET REQUIREMENTS
#4	ONLINE ACCESS TO DO-IT-YOURSELF FINANCIAL TOOLS

What's more, among the emerging affluent Gen-X and Gen-Y investors surveyed, 29% are familiar with digital advisors, and 7% already work with one today.⁵

Nearly three-quarters of affluent investors surveyed used some form of technology for financial purposes and more were looking to start.⁶

44%

of affluent investors surveyed had no apprehensions or concerns with using technology for personal/household financial activities.⁷

Who are these underserved investors?

Looking deeper, our analysis indicates that these underserved investors typically are:

- In their late 20s, 30s, and 40s and considered to be part of Gen-X or Gen-Y, a group estimated to include roughly 127 million investors⁸
- More likely to consider themselves savers, rather than investors
- Often looking to achieve specific goals, such as buying a car, purchasing a first home, or saving for retirement, rather than establishing a comprehensive financial plan
- Craving clarity and simplicity in their financial lives
- Unlikely to have an existing relationship with an advisor or advisory firm
- Unlikely to have the level of assets to fit a client profile generally sought by traditional advisors
- More sensitive to fees
- Inherently comfortable with new technologies as they become available, which contributes to a do-it-yourself (DIY) attitude

Thus, with the needs of this segment being underserved by traditional advice providers, companies that offer advice digitally are relentlessly focused on this market.

³Research was conducted by Fidelity Investments between May and September of 2014.

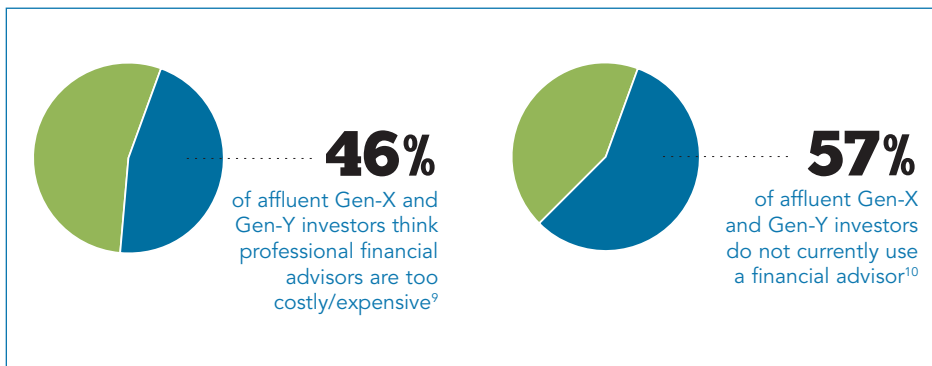
⁴2014 Fidelity Insights on Advice—Affluent Investor Insights Study was an online, blind study (Fidelity not identified) conducted by Bellomy Research, an independent firm not affiliated with Fidelity Investments, from July 14, 2014, to July 28, 2014. There were 1,064 respondents.

⁵Ibid.

⁶2013 Fidelity Insights on Advice—Affluent Investor Insights Study was an online, blind study (Fidelity not identified) conducted by Bellomy Research, an independent firm not affiliated with Fidelity Investments, from May 16, 2013, to May 29, 2013. There were 813 respondents.

⁷Ibid.

⁸Sources: Cogent Research 2012; U.S. Census Bureau 2010.



II. Surveying the landscape of digital advice

Digital advice providers tend to fall into three distinct groups, each with a potentially unique value proposition:

PROVIDER TYPE	TARGET AUDIENCE	VALUE PROPOSITION	SAMPLE FIRMS ¹¹
Business to consumer (B2C)	Online advice and planning providers	<ul style="list-style-type: none"> • Planning tools, coaching, and recommendations for saving, budgeting, and investing based on a total view of the investor's accounts and situation (often aggregating data across multiple sources) • Economical, transparent pricing 	<ul style="list-style-type: none"> • FlexScore® • JemStep® • LearnVest®
	Online investment managers	<ul style="list-style-type: none"> • Low-cost and efficient goal-based investment solutions • Ongoing implementation of investment recommendations, which may include trading, rebalancing, tax-loss harvesting, etc. 	<ul style="list-style-type: none"> • Betterment • FutureAdvisor® • Wealthfront®
Business to business (B2B)	Institutional platform providers	<ul style="list-style-type: none"> • Traditional RIAs • Broker-dealers • Third-party administrators (TPAs) 	<ul style="list-style-type: none"> • Betterment Institutional • TrizicSM • Upside Financial

⁹2013 Fidelity Insights on Advice—Affluent Investor Insights Study.

¹⁰Ibid.

¹¹Sample firms listed are a representation of a larger population of firms and are not an endorsement by Fidelity.

Let's look at some specific features of each group:

Online advice and planning providers

This group of providers primarily offers only online advice and planning (typically, no product sales). Industry consultant Aite Group estimates that this group represents a potential market of US\$2 billion to US\$4 billion in annual revenue from advice fees.¹² They tend to differentiate themselves by:

- **Offering the DIY investor simple, actionable recommendations.** These firms typically ask the investor to complete an online personal profile that includes a risk assessment. The firms then use financial aggregation tools to gain a complete picture of an investor's financial situation. The advice and planning recommendations they provide are often presented in a series of bite-sized steps that DIY investors can take without feeling overwhelmed.
- **Offering transparent and low monthly pricing.** These firms tend to charge monthly, with fees ranging from \$10 to \$30 on average.

Online investment managers

Online investment managers have platforms that make it feasible for them to reach millions of investors, managing investments at a very low cost. Account minimums for some of the firms researched were as low as \$10,000. Based on research by Aite Group, the average AUM per client for these firms currently ranges between \$18,000 and \$150,000.¹³ Aite also estimates that the 15 largest online investment managers have a total of \$4.3 billion in assets under management as of September 2014.¹⁴ This represents a growth rate of 115% during the first nine months of 2014.¹⁵ These firms tend to differentiate themselves from traditional advisors by:

- **Providing investment management technology.** These firms tend to attract new investors who trust technology firms and advisors with whom they have no or little interaction. They provide investment solutions in a number of ways, including the use of algorithms

to develop their investment recommendations, which can be tied to specific short- or long-term goals such as saving for a new car or funding a college education. Typically, they invest their clients' money in exchange-traded funds (ETFs) and index funds, which can help reduce costs.

- **Offering transparent pricing.** Our analysis reveals that pricing, which typically is based on AUM, can be as low as 15 basis points (bps). However, some firms charge subscription-based fees (dollars per month) instead, which are based on the type of offering the customer chooses rather than the amount of money the customer has. Still other firms are charging no fees at all for advice, and may be deriving revenue from sales of associated products. As part of their value proposition, many of these firms often put transparency front and center in marketing, attempting to set themselves apart from other firms.

Power of DIY:

Younger investors want to be in the driver's seat when it comes to their money. In fact, only 9% of Gen-X and Gen-Y affluent investors delegate decisions about their investments to a professional financial advisor, compared with 26% on average for affluent Baby Boomers+.¹⁶

¹²"Emerging Players in Digital Wealth Management: Competing for the Everyman Investor," Aite Group, February 27, 2014.

¹³"Overview of the Digital Wealth Management Landscape," Aite Group, October 2014.

¹⁴Ibid.

¹⁵Ibid.

¹⁶2014 Fidelity Insights on Advice—Affluent Investor Insights Study.

Institutional platform providers

These B2B firms offer a technology solution intended to help advisors scale an existing book of business with a more digital, potentially lower-cost service model that they can employ to help reach:

- Younger investors, particularly those considered emerging affluent investors, interested in an online model, as well as
- New mass affluent clients who may not fit the traditional financial profile for a client

These online platforms can be priced as low as 25 bps and sometimes less. Advisors then determine a fee structure that they want to put in place for their investors. These platforms can be advisor-branded; thus, the offering feels like a custom-built application by the advisor. What's more, these firms try to provide value by offering advisors solutions that can include:

- Paperless account opening
- Portfolio selection
- Automated trading, rebalancing, and tax-loss harvesting
- A client portal
- Automated recordkeeping

Common Features of Digital Providers

As of this writing, Fidelity estimates that there could be as many as 50 companies that have emerged in the digital advice space.¹⁷ Based on our analysis, we've identified a number of traits they have in common, including:

- **Fresh and intuitive user interfaces:** These firms tend to offer an engaging and welcoming environment by making use of clean and bold visuals along with user interfaces that are easy to navigate.
- **Simplified goal-based planning and portfolio construction:** Investors typically complete a brief online survey to assess their goals and risk tolerance. Recommendations are frequently based on specific investor goals uncovered in the survey, versus broad savings or asset accumulation.
- **Low pricing and low minimums:** These firms are providing a cost-effective option to traditional advisors, along with low account minimums to sign up. This combination can make it enticing for investors to "test-drive" one or more digital advisors without a significant financial commitment.
- **Virtually anytime and anywhere access:** These models are available to investors regardless of when and where they want to interact.
- **Streamlined product mix:** These firms, in particular, make primary use of ETFs and index funds in their offerings.
- **Investor education:** One of the hallmarks of these online models is the vast amount of education available on savings and investing topics. Digital providers deliver this content online in digestible pieces to make it easier for the investor to understand and take action.
- **Use of technology as an acquisition tool:** Firms that directly serve individual investors typically find clients through as many digital means as possible, including: email marketing, online advertising and re-targeting, free online tools, social media (e.g., Facebook®), search engine optimization, and online public relations efforts, such as blog and news article mentions.

¹⁷Fidelity Business Consulting analysis, July 2014.

III. Opportunities to evolve your practice

Traditional advisors looking to incorporate some of the elements from the digital advice playbook face two important questions today:

- What does this new landscape mean to me?
- What should I consider doing to remain competitive and grow over the long term?

While you may want to pursue offering a digital model, which could be accomplished by building the necessary infrastructure or establishing a relationship with an existing digital provider, this paper focuses on ways advisors can consider enhancing their existing client engagement model. It's not just about considering the newest technologies to potentially employ in your practice.

As you evaluate possibilities for enhancing a traditional client engagement model, we've identified two opportunities for consideration, which we detail in this section. What's more, we've included two worksheets at the end of this brief to help you determine your level of readiness to pursue these opportunities.

We also encourage you to engage your legal, risk, and compliance personnel to help ensure that you are following firm policies and regulatory requirements that may apply to any of the practices discussed in this brief.

Opportunity #1: Build a plan to nurture and engage younger investors

As digital advisors build relationships with a broad group of younger investors, some in this population could emerge as tomorrow's HNW investors, particularly given that \$30 trillion is expected to pass from the Baby Boomers to Gen-X and Gen-Y over the next 40 years.¹⁸ Many traditional advisors are wrestling with how they may best cultivate relationships with this potentially lucrative sub-segment of younger investors to help grow their practices over the longer term.

Based on conversations we've had with traditional advisors who currently work with Gen-X and Gen-Y investors,¹⁹ we've identified the following actions that you may want to consider when building your plan:

- **Focus on younger investors with strong earning power and good savings habits.** Research tells us that Gen-X and Gen-Y investors boasted the highest earning power among HNW investors. More than 90% of HNW Gen-X and Gen-Y Americans earned more than \$150,000 annually, compared with only 80% of HNW boomers and 53% of those older than 67.²⁰ With proper saving and investing habits, this group's earning power can potentially translate into a meaningful nest egg over time.
- **Recognize and meet their budgeting and planning needs.** Investment management isn't enough for these younger investors. Our research

indicates that 76% of Gen-X and Gen-Y investors are considering a written household budget, are in the process of developing one, or have completed one.²¹ Even high-income earners need help with planning and budgeting; many are so busy establishing their career that they may lack time to focus on this important item.

- **Serve them on their terms.** By understanding how emerging investors prefer to engage, you may want to consider adjusting your client service model to meet their specific needs. Our research²² has revealed that many of them value:
 - **Timeliness:** They expect you to return their emails and text messages immediately.
 - **"High-tech" communications:** They expect you to connect with them when and how they want to communicate—from email to text to video to social media.
 - **Bite-sized information and recommendations:** They want actions they can take at their own pace without being overwhelmed.
- **Engage them with fun and relevant events.** Hosting client events, whether educational or to express appreciation, can provide ways for you to connect with clients and meet their entire family. The in-person touch that you can provide has the potential to help your firm stand apart from digital advisors. However, events for younger clients

¹⁸Accenture, "The 'Greater' Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth," 2011.

¹⁹Based on executive interviews with 18 firms conducted during the period of July 1, 2013–August 15, 2013, by Excella, Inc., an independent third-party marketing firm, on behalf of Fidelity Investments.

²⁰Federal Reserve Board's 2010 Survey of Consumer Finances. High net worth is defined as \$1 million in assets.

²¹2013 Fidelity Insights on Advice—Affluent Investors Study.

²²Based on executive interviews with 18 firms conducted during the period of July 1, 2013–August 15, 2013, by Excella, Inc., an independent third-party marketing firm, on behalf of Fidelity Investments.

may require extra thought and creativity. Our conversations with traditional advisors²³ suggested that those hosting events for younger clients might want to focus on activities that are 1) relevant to the client's life stage, 2) convenient to the client's schedule, and 3) family friendly, particularly for those with young children.

- **Be online, or risk being irrelevant.**
You need to embrace technology and the Internet to help connect—and stay connected—with many young investors. Social media, in particular, can play a big role, according to a number of advisors we interviewed who work with Gen-X and Gen-Y. Advisors we spoke with shared that many younger investors are more comfortable engaging in advisory services without ever meeting the provider. Therefore, advisors should be online so that potential clients can learn about them and their firm. However, you will need to establish an understanding of the regulations and risks associated with social media and other online activities.

When it comes to establishing an online presence, consider expanding beyond your Web site to include areas such as:

- A blog that delivers content on relevant financial planning topics
- A Twitter® account or a LinkedIn® company page, which can provide an avenue to showcase thought leadership and share firm news
- A Facebook® company page that features news and content that displays your firm's culture and values

To help you with your efforts, you may want to review our Readiness Worksheet #1 at the end of this guide.

Advisor Case Studies:

Using proven savings habits to identify emerging HNW investors

One specific criterion may help you identify the more profitable prospects among the younger generations: proven saving habits.

Over the past 10 years, keeping a sharp focus on this trait has been a growth catalyst for Shawn Meade, managing partner and cofounder of Redwood Wealth Management, LLC. In fact, Meade has developed specific parameters for his definition of a "good saver," which has helped him nurture a base of young, emerging HNW clients whom he believes are setting up his firm for long-term growth. Today, 60% of Redwood's client base consists of Gen-X.

"If the investor's entire savings is in a 401(k)," says Meade, "then he or she is not a good fit for us. We want to see a commitment to saving that goes beyond what is promoted in the workplace. Otherwise, it's unlikely that person has the potential to grow with us over the long term in the way we want."

What asset level does Meade target?

"We are comfortable taking on a Gen-X or Gen-Y prospect who has \$250,000 in nonretirement investments," says Meade. "To us, that level separates you from the pack, giving us an indication that we can grow with you."

Prospecting with online strategies

Embracing technology and the Internet can help you connect—and stay connected—with many young investors. Social media, in particular, plays a big role for a number of advisors we interviewed who work with Gen-X and Gen-Y.

According to Brian Preston, cofounder of Preston & Cleveland Wealth Management, social media accounts for a large portion of the firm's new business.

"Typically, the younger generations don't operate with borders," says Preston. "They think nothing of buying your services without ever meeting you. I believe that you have to be online so that they can learn about you."

In 2006, Preston started podcasting and blogging. At first, the show's goal was to provide advice for the less affluent—investors not big enough to be clients—with the hope that they would grow into target clients. His twice-monthly podcasts now have 12,000 followers and 24,000 downloads per month.

Keep in mind, however, that building your online following—and clients—takes time and persistence.

"I started my efforts in 2006 and landed my first client in 2008," says Preston. "Now, 75% of new business is from podcast listeners."

²³Based on executive interviews with 18 firms conducted during the period of July 1, 2013–August 15, 2013, by Excella, Inc., an independent third-party marketing firm, on behalf of Fidelity Investments.

Opportunity #2: Work to meet the needs of busy clients by enhancing your client engagement model with technology

Technology can help strengthen client relationships. While an advisor may build trust through personal interactions, technology can enhance the client experience and help foster more trust, regardless of the age of your clients. One-third of affluent investors in a recent Fidelity survey told us that they would switch advisors if the advisor wasn't an active technology user.²⁴

Balance, though, may be key. With the right use, technology can help advisors differentiate themselves in a number of ways, including:

- Delivering real-time information to clients to support decision making
- Allowing clients the flexibility to work on their terms, including during non-business hours and via online collaboration

Enhancing your client engagement model to add digital elements requires thoughtful exploration and planning. You may want to consider the following ideas when developing a plan to suit the unique needs of your clients:

52%

of high-performing advisors focused on using technology to make communications more convenient.²⁵

- **Expand your client touch points with virtual communications.** Adopting new technologies to supplement face-to-face conversations can provide a way to get closer to clients. Specifically, incorporating media such as social media and text messaging can potentially help improve the frequency and style of your communications. What's more, clients may truly find your adoption of these vehicles an added convenience of working with you. As part of your planning process, we encourage you to check your firm's policies for usage of these media.
- **Expand beyond the conference room and super-charge client meetings.** Leveraging technology can help create more engaging conversations, which can lead to

deeper client relationships. To this end, you may want to consider using a mix of interactive presentations, screen-sharing capabilities, or interactive financial planning tools with your clients. However, the right mix of traditional and technology-based communication methods can vary by client. You should consider gradually introducing new methods to your clients to determine their willingness to try new media, as well as identify their specific preferences.

- **Offer "anytime access."** By embracing mobile technology, advisors can begin to offer anytime access, which can be perceived as an improved level of client service provided by your practice, as well as helping increase your overall level of client engagement. Some digital providers, recognizing the importance of helping advisors maintain a strong brand identity with end investors, offer advisor-branded mobile applications. Other options to consider for adding more convenience—as well as greater efficiency—to the client experience include paperless offices that make

Leveraging technology



75% of High-Performing Advisors surveyed feel it's important to use technology to encourage client-advisor collaboration.²⁶

63% of advisors said that recent technology developments have helped make their relationships with clients more collaborative.²⁷

²⁴The 2013 Fidelity Insights on Advice—Affluent Investors Study.

²⁵2013 Fidelity Advisor Insights Study, previously named Broker and Advisor Sentiment Index, was an online, blind survey (Fidelity not identified) fielded during the period of August 8–21, 2013. Participants included 813 advisors from across multiple firm types. In that study, High-Performing Advisors were defined as advisors who had above-average AUM (\$100 million versus \$57 million for other advisors), which they had also increased over the past year; had above-average share of wallet (i.e., percentage of assets) of 84% versus 72% for other advisors; and were highly satisfied with their current career.

²⁶Ibid.

²⁷Ibid.

maximum potential use of reputable e-signature processes and mobile check deposit, as well as secure online portals and vaults. Adopting anytime access can help advisors too. By embracing technology for a mobile lifestyle and balancing that with a firm's risk and compliance policies and procedures, advisors can better meet the demands clients may place on their availability.

- **Help clients see the big picture.**

When you offer the ability for clients to aggregate all their accounts, they can track and view all their financial data in one place. Advisors can leverage third-party data aggregation solutions that provide a way for clients to track all their financial accounts (including liabilities) from one Web site. While clients can benefit from this service, advisors can as well. Account aggregation can provide a way for advisors to obtain a more comprehensive view of the client's situation, which can help foster more meaningful conversations about client goals and deeper levels of client engagement.

When considering working with third-party technology providers, we encourage you to review their security safeguards to help protect confidential information.

To help you with your efforts, you may want to review our Readiness Worksheet #2 at the end of this guide.

Advisor Case Studies:

Saving time with dynamic planning conversations

In the days before the Web, planning was often a multistep process: gathering information, building a plan for a client, and reviewing your recommendations. However, more and more frequently today, planning revolves around the here and now—that is, on-the-spot, real-time planning.

"Offering real-time answers allows us to deepen our engagement with clients," says Phil Henry, President and Founder, Henry Wealth Management.

To that end, Phil and his brother Dan, also a partner in the advisory firm, work closely with those in retirement, updating plans with actual spending patterns. Using financial planning software, they develop retirement plans for their clients and run "what-if" scenarios on their computer screens as clients view them on an iPad®. The net result is highly engaged, highly efficient, real-time conversations.

"Now, we can have client meetings at our favorite restaurant and show clients how they're progressing against their retirement plan," says Henry. "The best part is that we can pull up various apps on the iPad® and have an interactive discussion about their retirement. Clients want real-time answers, and—right there in the meeting—we can input assumptions and show them the potential implications on the spot."

As a result, clients have the ability to make more informed decisions about their future.

Using online conferencing to meet the needs of busy clients

In a busy, do-it-yourself world, many clients expect access to you whenever they have the time available.

"Without a doubt, my clients expect me to communicate with them on their terms," says Kim Gaxiola, Registered Principal and Founder of Tech Girl Financial.

Working with female mid- to upper-level executives at established technology companies, Gaxiola tells us, "These women are juggling career and family, so every minute of the day counts. Making the most of available technologies is critical."

To that end, Gaxiola often communicates via conference calls, Skype®, and online conferencing tools, such as WebEx®.

In fact, Gaxiola believes the future for client engagement resides in online conferencing.

"It's highly effective, particularly when reviewing financial plans," she explains. "I can still control the content and discussion, just as I would in a face-to-face meeting. However, being online allows us to make real-time updates to information instead of setting up separate meetings."

It's efficient, effective, and allows her clients to make important decisions while managing the myriad of demands in their lives.

IV. Additional resources

As you think strategically about your practice and the potential opportunities to enhance your client engagement model with elements of a digital strategy, consider starting by taking stock of the existing capabilities resident in your practice today that can help you achieve your goals. The Readiness Worksheets on this page and the next are intended to help guide your thinking. You may discover that you can develop some of the capabilities you need in house instead of partnering with a third party.

We encourage you to review the additional Fidelity research studies and whitepapers featuring stories of other advisors listed below, as well.

Resources for Opportunity #1

- [Become a Go-To Advisor: Four Ways to Help Deepen Relationships with Gen-X and Gen-Y](#)
- [Winning Younger Investors: Six Ways to Help Attract High-Potential Gen-X and Gen-Y Clients](#)
- [Millionaires of Tomorrow: Poised for Growth, but in Need of Advice](#)
- [2013 Fidelity® Millionaire Outlook Executive Summary: Gen X/Y Millionaires Not Sitting Idle](#)

Resources for Opportunity #2

- [Fidelity's Office of the Future](#)
- [The Tech-Savvy Advisor](#)
- [Building a Strong Online Presence: Best Practices for Advisors to Consider](#)
- [Time for Technology: Fostering Smarter and Stronger Relationships](#)

Readiness Worksheet #1: Engage with younger investors (Gen-X and Gen-Y)

Any business expansion initiative requires exploration, evaluation, and preparation. You may want to consider using the worksheet below to help you determine:

- Whether engaging with younger clients is the right step for you

- What you may need to think about to help achieve your goals
- What you need to know before you get started

Based on our experience working with advisors, we believe that you should be able to answer "Yes" to most of the following questions before you move forward.

ASK YOURSELF		YOUR ANSWER
Is this opportunity a good fit for my firm?	Do I want to cultivate relationships with clients that may have a lower asset level than my typical clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Does engaging with younger clients fit with my strategic objectives for long-term growth?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Does serving younger clients fit into my overall client engagement strategy?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do I understand the level of effort and investment required?	Do I have the right resources (or am I willing to hire the right resources) to cultivate relationships and ultimately serve younger clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Do I understand the adjustments I may need to make to my approach to marketing and business development in order to attract younger clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Do I understand the commitment to technology that may be necessary to communicate with and serve younger clients effectively?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is my practice ready?	Do I have the right set of products and services to meet the needs of younger clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Do I have the appropriate client engagement strategy in place to meet the needs of younger clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Have I assessed the strength of my relationships with the children of key clients, and identified ways to engage them better?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Have I updated my firm story to reflect an enhanced value proposition to younger clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Have I completed a business development and marketing plan to target younger investors?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Do I have technology tools and solutions in place that will appeal to younger clients and make working with me easier and more convenient?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Have I introduced the concept to my team/organization and received buy-in?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Readiness Worksheet #2: Enhance your client engagement model with technology

Any modification in your approach to serving clients requires exploration, evaluation, and preparation.

You may want to consider using the worksheet below to help you determine:

- Whether changing your client engagement model is the right step for you

- What you need to think about to help achieve your goals
- What you need to know before you get started

Based on our experience working with advisors, we believe that you should be able to answer “Yes” to most of the following questions before you move forward.

ASK YOURSELF		YOUR ANSWER
Is this opportunity a good fit for my firm?	Will enhancing my use of technology increase the value I can add to my existing and prospective client relationships?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Does enhancing my client engagement model through technology fit with my strategic objectives?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Will bolstering my use of technology potentially provide me with a competitive advantage?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do I understand the level of effort and investment required?	Do I understand the level of capital and resources required to enhance my client engagement model using technology, and to maintain it over time?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Do I understand the needs of my client base regarding technology, the ways I could enhance my engagement model through technology, and the existing gaps in my client engagement model?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Do I understand the amount of time and effort required to train team members on new technologies to enhance the client engagement model?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Do I understand the amount of time and effort required to communicate and support clients with a new client engagement model?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is my practice ready?	Do I have the right technology to support the enhancement of my client engagement model?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Is my compliance program up to date to support social media and electronic communications?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Have I introduced the concept to my team/organization and received buy-in?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Is my team trained and comfortable incorporating new technology into the client engagement model?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Have I developed a plan to introduce this initiative to my clients?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Visit Fidelity's *Office of the Future*

When exploring the possibilities that might make sense for the unique needs of your firm, consider visiting Fidelity's Smithfield, RI campus or taking a virtual tour of Fidelity's *Office of the Future* at [Go.fidelity.com/officeofthefuture](https://go.fidelity.com/officeofthefuture). Created in collaboration with the Fidelity Center for Applied Technology (FCAT), Fidelity Institutional²⁸ developed the *Office of the Future* as a physical and online interactive experience for financial advisors, allowing them to experiment with some of the latest technologies we believe are poised to transform the financial advice industry.

While the experience will evolve as new technology emerges, the space currently focuses on technology that addresses mobile, pervasive video, evolving interfaces, cloud computing, social media, big data, and gamification.

²⁸Fidelity Institutional provides clearing, custody, or other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC.



For more information, please contact your Home Office or Fidelity Sales or Relationship Manager.

For investment professional and institutional investor use only. Not for distribution to the public as sales material in any form.

The information contained herein is as of the date of its publication, is subject to change, and is general in nature. Such information is provided for informational purposes only and should not be considered legal, tax, or compliance advice. Fidelity does not provide legal, tax, or compliance advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Federal and state laws and regulations are complex and are subject to change. Laws of a specific state or laws that may be applicable to a particular situation may affect the applicability, accuracy, or completeness of this information. This information is not individualized, is not intended to serve as the primary or sole basis for your decisions, as there may be other factors you should consider, and may not be inclusive of everything that a firm should consider in this type of planning decision. Some of the concepts may not be applicable to all firms. Always consult an attorney, tax professional, or compliance advisor regarding your specific legal, tax, or regulatory situation.

There is no form of legal partnership, agency, affiliation, or similar relationship between an investment professional and Fidelity Investments, nor is such a relationship created or implied by the information herein.

The digital advisors and other firms and companies referenced herein are not affiliated with Fidelity, although Fidelity may have an existing relationship with one or more of these companies. References to and listings of digital advisors are for informational purposes only and are not an exhaustive list of all digital advisors that exist in the marketplace. Fidelity does not recommend any of these digital advisors. Fidelity does not represent that the information contained herein about these firms is accurate or reliable. All information is subject to change and should not be relied upon in any way.

Fidelity Brokerage Services LLC (FBS) has entered into an arrangement with Betterment Securities whereby FBS provides information and education about the Betterment Institutional platform to RIAs interested in an investment-based digital advice solution, and Betterment Securities compensates FBS for such introductions. The amount of compensation FBS receives will vary based on the amount of assets the RIAs transfer to Betterment Securities. FBS's receipt of this compensation may incentivize FBS to introduce RIAs to the Betterment Institutional platform. In no event shall FBS's introduction to Betterment Securities constitute an endorsement, recommendation, or opinion as to the appropriateness of any relationship between RIAs and the Betterment Institutional platform, Betterment Securities, or their agents or affiliates, or as to the suitability of any investment advice provided by the Betterment Institutional platform or its agents or affiliates.

Third-party marks are the property of their respective owners; all other marks are the property of FMR LLC.

Third-party products referenced herein are the property of their respective owners.

Fidelity Family Office Services is a division of Fidelity Brokerage Services LLC, Member NYSE, SIPC.

Fidelity Institutional Wealth Services provides brokerage products and services and is a division of Fidelity Brokerage Services LLC. National Financial is a division of National Financial Services LLC, through which clearing, custody, and other brokerage services may be provided. Both members NYSE, SIPC.

© 2014 FMR LLC. All rights reserved.

698866.1.0

1.9860626.100
1114