A Review on Emerging Trends in Wealth Management

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Abstract- **Wealth management activity has grown rapidly over the past years and the major banks now comprise a much larger share of the industry than they did previously. The returns on these activities across the major banks have varied, being close to those on traditional banking activities in some cases but below the cost of capital in others. By undertaking this line of business, banks have increased their resilience (by diversifying their income) but also face new risks. In part reflecting these risks, as well as a greater focus on capital management, banks have begun to re-examine the nature and extent of their involvement in wealth management.**

Index Terms-**Tax & Retirement planning, financial services and Wealth Management.**

INTRODUCTION

"It is mutual trust, even more than mutual interest, that holds human associations together." - H.L. Mencken. Trust has always been an essential aspect of successful relationships with financial advisors. But today the meaning of trust — how it is fostered and earned — is dramatically changing. Technology, access to data, new analytical tools and younger, increasingly empowered customers are reshaping the wealth management industry. The fundamental shifts faced by wealth managers can be best described as two revolutions, one loud and the other quiet. The loud revolution includes several headline-grabbing trends, the huge transfer of wealth under way as baby boomers age and pass their money to the next generation, the rise of automated advice in the form of robo- and virtual advisors, online services offering algorithm-based portfolio management recommendations, and heightened regulatory scrutiny designed to ensure that the financial interests of advisors are not at odds with those of their clients. Even more important is the quiet revolution, occurring behind the scenes but directly affecting the nature and future of advice itself. This is playing out on several fronts, including the simultaneous increase of both standardization and personalization of advice and the growing demand for innovative ideas about how that advice is arrived at and delivered. Trust — or the lack of it — is at the heart of this second revolution. Technology advances and regulatory changes have brought new transparency to the wealth management process. No longer is it acceptable for financial professionals to hold clients at arm's length and to build trust solely on the notion that the wealth manager is the expert. Today, clients want more personal, more real-time, more effortless interactions. They are also less tolerant of historic pain points, such as processes they consider complicated, time-consuming, and risky; not getting adequate support; feeling undervalued and exploited; or being left in the dark and not in control of financial decisions. Customers also feel a fundamental disenchantment about the fees they're paying in exchange for the performance they're getting, which has prompted clients to begin questioning whether their advisors' interests are truly aligned with their own. Given the demographic shift under way, it's vital that wealth managers get this new trust equation right.

OBJECTIVES OF THE STUDY

- To identify the ethics of financial planning analysis.
- To find the factors that influences the wealth management.
- To study the strategies of profit and wealth maximization.
- To analyse and evaluate the factors influencing wealth management.
- To suggest optimistic views on emerging trends in wealth management.

NEED OF THE STUDY

Wealth management has been conflated with investment planning. However, while investment planning is a significant part of a wealth management strategy, it is not the only part. An effective wealth management system encompasses all aspects of a person's wealth, from retail banking services, an investment portfolio, and estate planning, to legal advice, tax advice, and regular financial planning. The ultimate goal of wealth management is to grow and nourish long-term capital. While wealth managers may not have expertise in every aspect of your estate, they often enlist help from other trusted advisors in a particular field. So, your wealth manager may have lawyers or accountants who they work with that help them understand what the best option is for you and your assets. Some wealth managers even have these experts in-house. The most important thing to remember and need about wealth management is that it is a holistic process. It's a strategy that takes into account every single part of your financial assets. Working with a good wealth manager will help ensure you have a bright, stable financial future ahead of you.

LIMITATIONS OF THE STUDY

The big limitation of Wealth management is that they do not show their actual position to the customers. So, there may be chances of fraud and forgery with customers. As we know that wealth management is now only related with the rich people and is not having any plans and solutions for poor, middle and lower class of people of society. Thus wealth management reduces the scope of Management. Mostly customers do not know the actual position of market because everything is done by some Wealth management professional. So, that results in inflation and also there may be chances that the customers are in risk but they are showing the false return etc.

REVIEW OF LITERATURE

TOPIC: From Longevity of Firms to Transgenerational Entrepreneurship of Families: Introducing Family Entrepreneurial Orientation

AUTHORS: Jennings, Horan, Reichenstein, & Brunel, 2011

ABSTRACT: This perspective, however, neglects to account for family firms—even smaller ones—who start or acquire multiple firms in a portfolio of activities (Naldi, Nordqvist, & Zellweger, 2011; Sieger et al., in press). In this regard, although in an emerging stage, the research on family offices clearly demonstrates that business families are active in a diverse range of business activities. Although often set up on firm exit, some controlling families also set up a family office whereas still active in ownership and management of a particular firm.

TOPIC: Private Wealth Management: A Review.

AUTHORS: William W. Jennings, Stephen M. Horan – 2010.

ABSTRACT: Private wealth management is the investment management specialization focused on high-net-worth individuals and families. Portfolio design and investment solutions in private wealth management are customized to reflect the complexities of the investor's unique circumstances. This review reflects the current best thinking on private wealth management.

WEALTH MANAGEMENT TRENDS – The field of wealth management is concerned with providing financial services primarily for high-net-worth individuals and ultra-high-net-worth individuals, although less wealthy people who expect to join the ranks of the ultra-rich may sometimes seek wealth management services, too. However, the requirements for private wealth management at most firms virtually preclude anyone outside the ranks of the rich from accessing such personal financial services. Wealth management refers simply to money management, in all its aspects. Wealth management firms make money by charging fees for the various services they provide. In the area of investments, clients are often sold managed account services, discretionary investment accounts that are traded on behalf of the client by one of the investment professionals at the firm. In addition, wealth management firms provide clients with brokerage accounts, so clients can access virtually any type of investment. The firm can generate additional fees by selling clients investment products, such as IPOs or secondary stock issuances. In addition to investment services, wealth management clients are provided with tax planning, estate planning and retirement planning services. The job of providing these services to a firm's clients is typically split between relationship managers and investment professionals. The job of the relationship manager is to know the client. The job of the investment professional is to know the investments that are considered by, and for, the client. It is the relationship manager who is primarily responsible for meeting the client's needs and wishes, and who most often meets directly with the client, although investment professionals are frequently included in regular, scheduled meetings with clients. In the case of ultra-high-net-worth clients, there may be an entire team of people assigned to a client's account, but there is still usually a single relationship manager assigned to oversee the account and to serve as the firm's primary representative with the client. The division of labor between the two aspects of wealth management can be seen as somewhat resembling the two aspects of relationship management and project execution that exist in investment bank. Standardization and personalization of advice - In the past, the same client might have been given dissimilar advice by two financial advisors at the same firm. But with today's technology and access to data, wealth managers can create a "segment of one" and use more precise models to produce computer-driven analyses that serve people more reliably while maintaining sufficient granularity to satisfy a client's particular level of risk tolerance, risk appetite, and risk capacity. Wealth managers can even slice individual financial health and aspirations categories into finer and finer niches and offer generalized services to meet the client's needs. The nature of advice - The historic purview of wealth advisors was narrowly drawn around investment and asset management. Client expectations about the scope of advice are broadening to include liabilities, tax and estate planning, insurance needs, healthcare policies, assistance with budgeting and spending controls, and income generation. As wealth management evolves from a transaction focus seeking alpha returns to a goals-based approach, the new concept emerging is the "health of your wealth" — how clients build and use their assets and how they achieve their personal and professional goals. Advice delivery channels wealth managers have placed customers in standardized investment and interaction tiers. For instance, clients in the lower strata of wealth were pushed into more automated, less expensive channels. Wealthier clients received more personalized service. But although advice in general will be delivered in digital settings more frequently in the future, all of the firm's channels should be coordinated, integrated, and ubiquitous — and channel strategies that attempt to segregate customers should be minimized. The result of new service model a significant shifts in the industry, wealth managers will need to offer and support a broader range of financial products, a task made more complex by the need to maintain a consistent wealth management experience and manage across disparate providers, regulatory environments, and processing back ends. All these changes will require extensive redesigning of current processes. Wealth managers need to offer live portfolio analysis, live reporting of positions and information, live scenario activity, and live alerts about a portfolio's or an individual investment's performance, as well as much better client reporting and interaction.

Traditional wealth management firms vary in their level of service, most typically invest heavily in consultants, databases and analytical tools that help them conduct due diligence on money managers or optimize a portfolio of investments for tax purposes. There is a growing number of high-net-worth and ultra-high-net-worth classes around the world - In most developed nations, the wealthy are accumulating assets more rapidly than the middle class. At the same time, many emerging economies are thriving. Many experts have noted that by 2015-2020, China's upper class will be larger than America's middle class. Growth in countries such as China, Brazil, India and Russia will ensure that the family office format of wealth management services continues to grow in popularity over the next five to seven years. Profitability is a growing challenge for family offices as populations amass greater wealth, large wealth management firms are competing on a cost basis and moving a larger portion of their core services online. Many of these individuals run businesses or have complex wealth management or tax-related needs, and they require a team of experts to help manage their finances. Family offices are becoming the common answer to that demand, remaining highly profitable while also serving the unique needs of the ultra-affluent. Ultra-affluent clients are demanding highly professional financial services - While there are no set rules on what services a family office can or cannot offer, there are common investment and finance-related services that most of them provide for their clients. Many of these advanced services are not available within a private banking or traditional wealth management setting, simply because they are affordable only for the most affluent client. Generational wealth transfer - According to Berkley, life expectancy for people born in the 1940s and 1950s will be between 60 and 66 years old. That puts 2017 right in the midst of the largest generational wealth transfer that the world has ever seen. Now is the time for firms to make sure they have the strategies in place to onboard those who will inherit wealth. Most individuals who will inherit this wealth expect technology in their everyday life. These client expectations make an excellent digital strategy and client-facing technology tools even more critical. Robo-advisors evolve to hybrid models - Automated investment platforms—or robo-advisors—have been in the news for a long time, but few of them have achieved the profitability that large firms want them to have. This is where the hybrid advisor comes into play. At the crossroads of traditional advising and automated advising, you will find the hybrid business model. This model will have financial professionals staffing call centers to answer questions about investment advice, accounts, and portfolios in a way that is both effective for customers and cost efficient for the firm. According to Financial-Planning.com, consulting firm A.T. Kearney believes that the hybrid model will become the dominating force in the market. A report put out by EY in 2015reinforces the idea that offering both online and face-to-face interactions will ultimately become a driving force in profitability for firms. Fee compression for traditional advisors - Competition from automated platforms makes it difficult to acquire new clients. They charge significantly less than a traditional advisor, keeping many advisors out of the competition based on price alone. Historically, this would not necessarily be a problem because the advisor would be able to sell a suitable product to offset the fees which they would otherwise be missing. However, advisors will experience fee compression through the new fiduciary standard. The Consumer Revolution continues historically constructed in such a way that advisors would meet with their clients once or twice a year, gather new information, and provide the client with a new iteration of their financial plan or attempt to sell a new product. The Consumer Revolution has affected everything from the way we order food, to the way we consume media, to the way we travel. If a brick-and-mortar service is not willing to adapt to the demands of their clients, they will eventually lose that business.

SUGGESTIONS

The financial services industry is no different. Consumers want their financial plan to be easily accessible and up-to-date i.e. means adopting technology to implement a solution to meet the needs of the client. Have liquid savings and start planning for retirement. Create a long-term strategy. "There is not as much 'secret black box' about the investment component, the investment model has become commoditized, and there's going to be more pricing pressure. No financial advisor should be an island unto him- or her. Carlson recommends that new independent advisors seek out counsel from peers and attend industry conferences to take advantage of the collective wisdom of other advisors. Better yet, find a formalized peer group with whom you can regularly share ideas about improving your business.

CONCLUSION

Emerging trends can be countered through the implementation of new strategies and technology. A complete, well-developed alternative investment platform at a family office is a competitive advantage, and as competition increases among multifamily offices these platforms will be more global, transparent and diverse in their offerings. Knowing these trends and changing your offices to accommodate them can set your firm on solid ground with these often demanding and rewarding families. We understand that there is no single solution that will fit every firm for the challenges that they face, which is why we truly seek to form a partnership with our clients. This partnership allows us to understand and develop solutions for the unique needs of each firm, while offering world-class support and training. Let us know how we can help you with your goals for future ahead. Wealth management firms in 2016 & 2017 will put a lot of effort into responding to new investment advice standards for retirement accounts and to increasing pressure to adopt a digital model. At the same time, the higher target range for the federal funds rate will provide much-needed revenue opportunities for wealth management firms and likely catalyzing interest rate reviews elsewhere. In 2018, wealth managers would do well to think deeply about their practices in light of the quiet revolution, Issues of trust, standardization and personalization, scope of advice, and channel delivery are redefining the nature and future of financial advice. Advisors themselves will have to adjust to the new expectations and adopt new technologies in a way that is meaningful and beneficial to their clients for meanwhile, institutions will need to upend their current operating model, and actively engage in reshaping the business to adapt and thrive in the wealth management environment.

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