



News release

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Wealth management dangerously behind the curve in adoption of digital technology

Firms that don't respond now simply won't survive in the medium to long term

London, 1 June 2016 -- Wealth management is one of the least tech-literate sectors of the financial services industry, and is falling well behind non-financial services industries, finds a report just published by PwC. What is currently on offer is sharply at odds with what their clients, high net worth individuals (HNWIs), expect.

PwC's report, '*Sink or swim: why wealth management can't afford to miss the digital wave*', which draws on interviews with wealth relationship managers, CEOs and FinTech innovators, and insights from a survey of 1,000 HNWIs in Europe, North America and Asia, reveals just a quarter of wealth managers offer digital channels beyond email.

This is in stark contrast to the fact that two-thirds (69%) of HNWIs use online/mobile banking, more than 40% use online means to review their portfolio or investment markets and over one in three are already using online services for portfolio management.

Demand among HNWIs for finance-related technology is, surprisingly, similar across both younger and older HNWIs, the exception being portfolio management, where under-45s are markedly more interested in managing investments online. Moreover, 47% of those who do not currently use robo services* would consider using them in the future.

Over half of HNWIs surveyed believe it is important for their financial advisor or wealth manager to have a strong digital offering – a proportion that rises to almost two-thirds among HNWIs under 45 and in Asia. Where HNWIs are digitally confident, expectations that wealth managers should be technologically proficient are higher still.

Yet, players in the wealth management sector seem to be oblivious to their technology inadequacies, some even overestimating their firm's digital capability, rating it digitally sophisticated, when the only service offered to clients is a website.

According to PwC, the wealth management sector globally - at best, is in the very early stages of the first ecommerce-focused wave. Very few wealth management firms have automated and digitised their back office and administrative functions. A mere one in 10 employs social media with their clients and many are only now investing in web portals and basic mobile apps.



Perhaps not surprisingly, two-thirds of wealth relationship managers do not consider robo-advisors a threat to their business. Moreover, they repeatedly insist clients do not want digital functionality, directly contradicting the importance their clients place on it.

Asked to assess what they (HNWIs) value most about their current advisor/wealth manager, their technical capabilities and digital offering ranked just eighth out of 11 options with only 39% of clients likely to recommend their current wealth manager, falling to 23% among US\$10m+ clients.

“This conflict within wealth management firms, combined with a client-base that feels only weak affiliation to its chosen providers, is creating a sector that is now acutely vulnerable, to digital innovation from FinTech** incomers, including robo-advice services,” says Barry Benjamin, Global Asset and Wealth Management leader at PwC.

“Ignoring this state of affairs is not an option. If firms do not respond now, they simply will not survive in the medium to long term.”

In PwC’s view, to survive, wealth management firms must:

- **Accelerate efforts to adopt a comprehensive digital infrastructure** that integrates every aspect of their activities and corporate culture, from the back office to how they service clients and market to new prospects
- **Harness the potential of digital** to realise greater efficiencies, manage costs and advance their core client proposition by drawing on a much wider range of available data
- Be willing to **partner strategically with FinTech innovators** to deliver technological solutions at the speed the market expects

Benjamin concludes:

“Wealth relationship managers enjoy high levels of trust among their client base. They are already recipients of a depth and breadth of data and insight spanning both financial and non-financial aspects. Any future wealth management model needs, without question, to retain this human aspect.

“However, in an increasingly complex world where the investment office may, for example, have to evaluate more than 200 different investment products for a client, and where clients are also aware of what automated technology can do in the investment advisory space, technology will be vital to keep the job both do-able and scalable for a growing audience.

“Firms that embrace and seize the digital opportunity now are in a powerful position to deliver propositions of real and sustainable future value which combine the very best of technological and human capital.”



Notes to Editors:

*Automated platforms that provide algorithm-based portfolio management advice without the intervention of financial planners.

** PwC defines FinTech as a dynamic segment at the intersection of the financial services and technology sectors where technology-focused start-ups and new market entrants innovate the products and services currently provided by the traditional financial services industry.

PwC's report, **Sink or swim: why wealth management can't afford to miss the digital wave**, explores the expectations among HNWI's for wealth management and their use of digital technology in both a financial and non-financial context. It assesses attitudes to, and provision of, digital technology within the wealth management industry, presenting the digital opportunities that the wealth management industry is powerfully positioned to exploit. It puts forward short to long-term strategies the sector could adopt to embed digital into their operations, culture and value proposition.

The report draws on quantitative research with more than 1,000 high net worth individuals in Europe, North American and Asia with US\$1 million+ in investable assets, plus qualitative interviews with 100 relationship managers, CEOs of wealth management firms and FinTech innovators.

For a copy of the report and to see the full results, please visit <www.pwc.com/wealth>

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