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Recent Shifts in the Wealth Management Industry

In recent decades, nearly every major industry in the United States has seen dramatic changes in their operations and customer bases, mainly due to developing technology and changes in societal trends. Wealth management has seen some very unique shifts due to several factors, namely shifts in client behavior due to changing needs on both the individual scale and in society as a whole, along with constant changes in regulations and further shifts in how wealth management advisors are conducting business, mainly as a result of different client attitudes. I explored several of the factors bringing about change in the wealth management industry, focusing mainly on those which have occurred at a rapid pace over the last several years, along with responses to regulations imposed after the 2008 financial crisis. Through a thorough analysis of the following articles, I was able to identify several key shifts in the wealth management industry that have become prevalent in recent years, along with the solutions and changes implemented by firms as a result of said shifts.

My first article, “The Three Most Important Trends in Wealth Management: Crypto and ESG Get Lots of Headlines, but They Might Be Distracting Us from What’s Really Important” by Chris Heye highlights the current overemphasis on cryptocurrency and ESG (environmental, social and corporate governance) investing when in reality,

wealth management's largest emerging issues are healthcare related. The article discusses how cryptocurrency and ESG investing are largely based on hype and do not concern the vast majority of Americans, as issues relating to rising life expectancy, high healthcare costs and an increase in the prevalence of cognitive decline are certain to lead to far bigger changes in the wealth management industry.

I found this article to be very informative and effective in terms of conveying information relating to the recent trends in rising life expectancy, high healthcare costs, and cognitive decline, all of which are central factors and causes of shifts in the wealth management industry. Heye provides useful insight into the disconnect between what seem to be the main concerns of Americans when it comes to wealth management based on what is highlighted in the media versus what is actually having a major effect. Cryptocurrency and ESG investing have garnered a plethora of media attention, as many Americans have interest in building wealth off crypto, and ESG investing promotes clean industrial practices which are better for the environment. In addition, Heye is an extremely credible author as he is the founder and C.E.O. of Whealthcare planning, a wealth management firm which takes healthcare costs into great consideration while helping families plan financially.

It is clear that far too much emphasis is being placed on cryptocurrency and ESG investing at a time when much bigger factors are in play in terms of impacts on financial planning and the wealth management industry as a whole. As the article mentions, "baby boomers are the first generation with a life expectancy at birth over the age of 65" (Heye 47). Most Americans aim to retire around the age of 65, meaning up until the last few decades, most wealth management advisors did not even have to worry about helping their clients save for retirement because they were unlikely to live long enough

for it to be a concern in the first place. Rising healthcare costs and an uptick in cognitive decline rates also pose a much bigger obstacle to wealth management advisors. The increase in healthcare costs, which has outpaced wage and salary increases, means as people get older, they have to be more conscious about these costs. For wealth management advisors, this means helping their clients set aside more money to be spent on healthcare. The rising rate of cognitive decline among older Americans means people are more likely to spend frivolously and therefore need more financial advising. While cryptocurrency and ESG investing are garnering more headlines due to their popularity, the reality is healthcare related issues are having a far bigger impact on the wealth management industry as these issues affect a far larger share of the population.

The second article I used, “Wealth Management Requires a 360-Degree Compliance Programme” by Jeffrey Cowley discusses the importance of properly implementing technology and systems that ensure regulatory compliance in the field of wealth management. The financial sector as a whole is subject to strict regulations that often result in large fines if not followed properly. Cowley’s article discusses methods of ensuring these regulations are followed while minimizing the amount of time, effort and money needed to do so. The main emphasis is on new technology, which shows the continuing changes and developments in the wealth management industry.

I found this article to be helpful in terms of providing information on how the already strict regulations imposed on wealth management firms have been tightened following the 2008 financial crisis and the more recent economic issues brought about by the COVID-19 pandemic. It also does a good job of explaining the new types of technology which can be implemented by firms to ensure they are remaining compliant and therefore avoiding major fines. Cowley’s credibility comes from his role as president

of InvestEdge, a Pennsylvania-based company which focuses on helping wealth management firms integrate technology, including in the form of compliance systems which are able to stay up to date with new regulations.

The impact of changing regulations on wealth management firms has been drastic and often results in the spending of tens of millions annually both in the form of regulation compliance and fines imposed when firms fail to comply. Systems such as those offered by InvestEdge allow wealth management firms to save money and ensure regulation compliance through the use of adaptive technology and real-time updates on new regulations imposed either domestically or internationally, depending on the scope of the firm at hand. As these types of technologies are implemented by more and more wealth management firms, the amount of money spent on compliance and fines decreases, allowing firms to focus more money and time on their clients.

My final article, “How the Wealth Management Industry is Changing: Big Firms Have Adopted More RIA-like Offerings; Meanwhile, Breakaway Brokers Have Gotten Smarter, Says Former Schwab Executive Rob Farmer” by Jane Rusoff explains how shifts in the practices of major investment advisory firms are changing the wealth management industry. Mainly, these large firms have started to offer client services more similar to those of registered investment advisors, which generally tailor more to the individual client and ensure client needs remain the paramount priority. In addition, a growing number of advisors at major firms have been leaving to form their own registered investment advisories.

This article proved very useful in terms of explaining how and why many financial advisors are breaking away from their larger firms and offering client services independently. It also does a good job at explaining how the larger wealth management

firms are attempting to offer their clients more attractive services and relationships by functioning more like RIAs (registered investment advisers). The subject of the interview, Rob Farmer, has a high level of credibility in the finance and wealth management sectors due to his former executive position at Charles Schwab, one of the largest financial service companies in the United States.

Client relationships are undoubtedly the most important aspect of any wealth management firm. Clients need to be able to trust their advisors and know exactly what is being done with their money, and in recent years more clients have found a better sense of comfort in breakaway brokers or large firms that offer services more similar to those of an RIA. The main reason for this is the fact that RIAs and breakaway brokers are smaller and therefore more capable of producing close, personalized relationships with their clients. When individual advisors break away from larger firms, if done correctly, they can take their clients with them and continue to provide them with wealth management services in a much more personalized way.

The recent shifts in the wealth management industry are the result of a combination of changes in healthcare, regulations and client attitudes. The increased life expectancy in the United States, coupled with rising healthcare costs and increased cognitive decline is leaving wealth management advisors with new challenges in terms of planning for the subsequent spending. As regulations continue to grow and change, wealth management firms must find new ways to remain up to date, so as to avoid overspending on risk management and the hefty fines imposed for regulatory violations. Today's clients, often regardless of their level of wealth, are seeking more personalized relationships with their advisors, along with financial planning that is more custom tailored to their specific needs. As a whole, these dramatic shifts have occurred at a

rapid pace due mainly to the financial issues brought about by the combination of the 2008 financial crisis and the economic downturn caused by the more recent COVID-19 pandemic.

Works Cited

Heye, Chris. "The Three Most Important Trends in Wealth Management: Crypto and ESG Get Lots of Headlines, but They Might Be Distracting Us from What's Really Important." *Journal of Financial Planning*, vol. 35, no. 11, Nov. 2022, pp. 46–50. EBSCOhost, <https://search-ebSCOhost-com.rlib.pace.edu/login.aspx?direct=true&db=bsu&AN=160017178&site=ehost-live&scope=site>.

"The Three Most Important Trends in Wealth Management: Crypto and ESG Get Lots of Headlines, but They Might Be Distracting Us from What's Really Important" by Chris Heye highlights the current overemphasis on cryptocurrency and ESG investing when in reality, wealth management's largest emerging issues are healthcare related. The article discusses how cryptocurrency and ESG investing are largely based on hype and do not concern the vast majority of Americans, as issues relating to rising life expectancy, high healthcare costs and an increase in the prevalence of cognitive decline are certain to lead to far bigger changes in the wealth management industry.

This article fits into the discourse of wealth management because it highlights certain aspects of it which are currently getting more emphasis and attention than they should be, mainly due to the presence of more impactful factors. Discussing these factors is critical to the entire industry of wealth management because if they are not taken into account in long-term financial planning, clients are likely to lose huge amounts of money. My main use for this article is to discuss some examples of major changes in the discourse of wealth management and why they are important.

Cowley, Jeffrey. "Wealth Management Requires a 360-Degree Compliance Programme." *Journal of Securities Operations & Custody*, vol. 14, no. 2, Spring 2022, pp. 162–70. EBSCOhost, <https://search-ebSCOhost-com.rlib.pace.edu/login.aspx?direct=true&db=bsu&AN=155751238&site=ehost-live&scope=site>.

"Wealth Management Requires a 360-Degree Compliance Programme" by Jeffrey Cowley discusses the importance of properly implementing technology and systems that ensure regulatory compliance in the field of wealth management. The financial sector as a whole is subject to extremely specific strict regulations that often result in large fines if not followed properly. Cowley's article discusses methods of ensuring these regulations are followed while minimizing the amount of time, effort and money needed to do so. The main emphasis is on new technology, which shows the continuing changes and developments in the wealth management industry.

This article's relevance to the discourse of wealth management is its overview of the changes in the industry relating to legal regulations. Regulations are constantly changing and developing the wealth management and finance sectors, and many firms can struggle to manually keep up with them. I think this is a very useful source because it highlights and clearly explains how the growing prevalence of changing regulations needs to be accounted for by wealth management firms, as failure to do so can lead to major losses for both the firms and potentially their clients.

Rusoff, Jane Wollman. "How the Wealth Management Industry Is Changing: Big Firms Have Adopted More RIA-like Offerings; Meanwhile, Breakaway Brokers Have Gotten Smarter, Says Former Schwab Executive Rob Farmer." *Investment Advisor*, vol. 42, no. 4, June 2022, pp. 29–32. *EBSCOhost*, <https://search-ebscohost-com.rlib.pace.edu/login.aspx?direct=true&db=bsu&AN=157294605&site=ehost-live&scope=site>.

"How the Wealth Management Industry is Changing: Big Firms Have Adopted More RIA-like Offerings; Meanwhile, Breakaway Brokers Have Gotten Smarter, Says Former Schwab Executive Rob Farmer" by Jane Rusoff explains how shifts in the practices of major investment advisory firms are changing the wealth management industry. Mainly, these large firms have started to offer client services more similar to those of registered investment advisors, which generally tailor more to the individual client and ensure client needs remain the paramount priority. In addition, a growing number of advisors at major firms have been leaving to form their own registered investment advisories.

This article is relevant to the discourse of wealth management because it highlights some of the major changes that are occurring in the industry and what is behind them. It explains the importance of the shifts in practices at major wealth management/advisory firms and how they are a response to shifts in consumer behavior and the current economic state as a whole. I find this source helpful in terms of pinpointing a specific topic in the discourse of wealth management because it provides an in-depth explanation of specific changes in the industry from an individual with a high level of knowledge and experience.