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Six Key RIA Trends for 2017 and How to Capitalize On Them

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"The only thing that is constant in life is change."

This well-known quote attributed to the Greek philosopher Heraclitus is certainly appropriate for today's RIA marketplace. While change can seem overwhelming at times, it can also create opportunities. By making the right moves, you can position your business for future growth and profitability.

Here are six opportunities awaiting you and your business for 2017:

1. HEIGHTENED REGULATION AND THE DOL RULE

Despite whether the new rule gets watered down, repealed or defanged, the application of the fiduciary standard to retirement accounts has already become an industry movement. As a result, advisors may worry they need to drop clients with smaller accounts because complying with the new standards will be expensive across these accounts. However, by using a model-based platform, advisors can make decisions and trades at the model level, not the account level. The right trading technology can save you hours of time each week and enable you to give accounts of all sizes the same consistent investment process.

2. INCREASED COMPETITION FOR NEW CLIENTS

Competition for new business is not just coming from other advisors, but from unexpected places like your custodian. Charles Schwab, TD Ameritrade and Fidelity have all launched robo advisors and continue to put more and more resources into competing with you for clients. It may be time to consider partnering with a custodian that is independent and doesn't offer retail investing, investment advice, fund families or an advisory network that competes with yours.

You can enhance the profitability of your business by taking advantage of the major trends currently shaping the RIA industry.

3. AGING CLIENTS PASSING ON WEALTH TO THE NEXT GENERATION

Do you feel like you attended more funerals last year than in the past? The Social Security Administration estimates that, on average, 10,000 Baby Boomers die each day—about four million a year. Surveys show that the vast majority of adult children change advisors following the inheritance. Advisors must find ways to build relationships with their clients' children and become the trusted family advisor. Strategies include getting to know your clients' adult children, inviting them to your clients' planning meetings and finding ways to help them with their financial planning needs. You'll also want to incorporate technology to more efficiently run your business so you have more time to focus on building these relationships.

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4. EVEN MORE TECHNOLOGY SOLUTIONS TO SIFT THROUGH

New technology will continue to flood the market at an even faster pace, and most RIAs will continue to be unable to keep up. Yet financial advisors are realizing that technology is an important tool to help increase client satisfaction and their business profitability. Having a single platform that deeply integrates a minimum number of the best of breed technology tools is the key to success. It's also vital to involve key staff members in the technology decisions from the beginning, learning what they like and don't like about the existing technology and what kinds of functionality could help them do their jobs better. Be sure the technology vendor is willing and able to provide a commitment to full integration with your existing systems and training for you and your staff.

5. CONTINUED INDUSTRY CONSOLIDATION

The trend toward consolidation will continue as more and more founders are retiring and business valuations are looking attractive for sellers. Still, that doesn't mean smaller firms are going to be gobbled up or run out of business prematurely. Enabled by technology, lower fixed costs, and an ability to achieve efficiencies, smaller firms can not only survive but thrive. The key to success for smaller firms is to employ technology as the differentiator and as a gateway to scale and profitability. Employing the right technology can automate back-office tasks so they can handle more clients per staff member. By managing portfolios on the right technology platform, advisors can manage hundreds of client accounts using model based trading in minutes instead of hours or days.

6. GREATER FEE COMPRESSION

Robo advisors that charge 20-50 basis points are just one source threatening to squeeze margins. Investors are moving to less expensive investment products, like ETFs. Plus, there is increased regulatory scrutiny on advisors' compensation. That doesn't mean you'll have to work twice as hard for half the money, as some pundits have predicted. You may, however, have to re-think your fee structure and/or experiment with new models for delivering services. Instead of a portfolio-based pricing model based on AUM, for example, you may want to consider adopting a retainer fee model or a flat hourly fee (an "a la carte" rate) for your services to achieve your pricing goals. To implement this successfully, you'll need to make sure you have a strong fee engine integrated into your technology.

TURNING CHANGE INTO OPPORTUNITIES FOR YOUR BUSINESS

The financial services world is constantly changing, and current trends are accelerating these changes. Now is a good time to contemplate these major trends and how they might impact your long-term strategy. Thinking proactively about how you're going to position your business to take advantage of these trends may help you enhance your profitability and the value of your business in the future.