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The Evolution of Advice

Global concerns regarding the client-advisor relationship have created a demand for greater transparency and different standards for providing financial advice. Most recently these concerns have resulted in regulatory measures such as the U.S. Department of Labor (DOL) Fiduciary Rule and Canada's Client Relationship Model (CRM1 and CRM2). In response, financial services organizations are stepping back and re-evaluating how they deliver financial advice.

While our environment continues to evolve, one thing remains constant: consumers' need for information and advice. However, what will change is (1) how they will seek it out and (2) how the industry will deliver it. How do organizations connect with the right people and get them the advice they need? At the end of the day, the goal remains the same: to be the trusted source of advice, regardless of channel.

To adapt accordingly, it will help organizations to step back and understand the principles of evolution and how they relate to today's financial services landscape. The most successful organizations will nimbly respond to evolutionary forces, seize opportunity, and position themselves for profitable growth in the future.

In its basic form, evolution is a process of change, often from something simple to something more complex. Evolution can be caused by three factors: the environment, slow changes over time, and one-time events. So, how do these factors come into play here?

First, today's environment is global and interconnected, with instant access to information. Global markets have an impact on "Main Street USA." Technology is a major driver, with companies like the "FANG" group (Facebook®, Amazon®, Netflix®, and Google®) transforming how consumers access information and engage with companies and each other.

Second, what slow changes have occurred? Increasing longevity has changed the consumer mindset regarding financial priorities and created the Sandwich Generation. More people today are concerned about funding retirement than about premature death.

The employer-employee relationship has fundamentally changed. As opposed to the past, those now entering the workforce fully expect to work for multiple employers throughout their career. Employers are moving away from defined benefit plans and employer-paid insurance coverage — preferring defined contribution, contributory, and voluntary benefit arrangements. Today's employees are often left on their own.

Changing demographic patterns, lifestyles, and family structures have also emerged over time. The concept of "one size fits all" no longer applies.

Third, disruptors and one-time events are influencing the market and its evolution. Regulations, the arrival of robo-advisors, social media, and crowd-funding are examples of areas that force the industry to re-examine its value proposition.

Years ago the industry's approach was a simple product-driven strategy, and it worked. Simpler times called for simple solutions. Today is clearly more complex. Consumers need information and advice to make informed decisions. They seek to expand upon the traditional face-to-face experience and engage with organizations in new, different ways.

Savvy advisors are adapting their practice models to meet evolving client needs. Many have become "digital" or "omnichannel," providing a more contemporary approach that not only enhances the client experience, but also expands the advisor's personal capacity.

Never before have organizations been so empowered with data, information, and technology to deliver targeted advice in a cost-effective way to those consumers who need it most. Leading-edge organizations are leveraging this capability to build competitive advantage.

But while the industry has begun to adapt and meet the needs of an evolving marketplace with innovative products and delivery methods, significant challenges — and opportunities — remain. Those that fully grasp how the environment, slow changes over time, and one-time events shape market evolution will connect consumers with the advice they need and ultimately see maximum returns. 🌐