The Evolution of Adviser Technology

By Jym Brown

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"We didn't do anything wrong, but somehow, we lost"

Simon Elop – Nokia CEO[1]

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A Word from the Author

The quote at the start of this paper is a forewarning and one which begs the question; are you about to lose?

For advisers, you can be giving great advice, ensuring great outcomes for your clients. You can have worked tirelessly on creating an 'efficient' process which includes a range of technology. You may know this proverbial spider's web of technology well, including how the various components interlink, or not. You may be trialling new systems and tools like AI note takers and you may have configured your main CRM system to a point of specialisation known only to your firm…

For fintech firms, you may have developed awesome products. You may have identified niches through which your specialist product development has created a great market. You may have developed this on a modern tech stack (or not). You may have great customer feedback and satisfaction scores. You may have APIs with various other fintech providers or large firms. You may have a whole host of features, many of which are yet to be fully explored by your customers. You may indeed have a sticky product, with long contracts which keep advisers tied in to you…

And yet, you may well be primed for disruption; you may well be about to lose.

Briefly, part 1 of this paper introduces what it means to level up, evolve and disrupt. Part 2 goes on to discuss the current paradigm of the advice tech market and how a different approach is perhaps the way forward for the industry, justified through the lens of Disruption Theory. Part 3 provides some thoughts as to the implications of AI within this new paradigm as a significant source of value in terms of time saved and benefit to clients. Finally, the conclusion explores some potential counterarguments to some of the ideas discussed, with some initial responses.

Ultimately, I am asserting that an inflection point is soon upon us. Where the advancement of technology is such that change is inevitable both for adviser and technology provider – and that this change will begin to make radical improvements for the way advice is given in the UK and the world over.

The comments within this paper are not meant as a cynical review of current technology incumbents. Importantly, there are many great pieces of tech and many great advice firms. Where I express critique, it is on the basis of economic theory, industry experience and the future viability of businesses within a changing environment; not their incompetence. Please take the words as they are intended; an informed opinion of the future or direction of travel believed to be imminent, for everyone.

Thank you for taking the time to read this. Your feedback is welcomed!

Jym Brown - Chief Operating Officer – Ningi

Acknowledgements

While this essay is written by me, it is a product of my experiences and collaborations with many great people. Members of team Ningi have contributed through design (Pete Ridlington) and specific financial planning input (Emma Hanby). However, it is through working with these great people I have been able to learn about this industry in greater depth and formulate ideas hopefully worthy of sharing.

Specifically, the fundamental basis for this paper is the vision of Pete Ridlington, which itself is the product of his many years and struggles attempting to 'fix advice-tech'. Having had so many conversations with Pete, I began to think in a particular way about this challenge and explore or rather interrogate his core thesis. In this essay, I am merely adding my own ideas, rationale and validation to his initial thinking and thus all credit goes to Pete. 'Standing on the shoulders of giants' comes to mind.

Terminology

This paper utilises several terms which may be new to the reader. For this document to be easily digestible, a quick overview of terms is necessary. References are included at the end of the paper for those interested in reading the original sources or the economic theory material… Needless to say, for everyone else, here is what you need to know.

The focus here is on the development of the industry through technology. Inherent within that statement is the need for innovation. However, not all innovations are created equally. Innovation could simply be summarised as the introduction of something, whether product, process or idea, which is perceived as 'new'. To innovate does not necessarily mean to improve, or at the very least it does not mean to improve and subsequently thrive or continue to be useful. There are many examples of innovations which flopped, even when they were superior in performance (Sony Betamax for anyone old enough to remember).

To comment on innovations for future success and positive industry change, it is likely better to refer to 'disruptive innovations'.

In my observation, the terms innovation and disruption are used a lot within financial services. However, as is commonplace and subsequently noted in the literature, many misuse these words. The misuse occurs because of mischaracterisations of 'disruptors' or of what 'disruption' is happening. The word disruption used in a general sense of altering or even problematically altering is fine, however that is not how people are using them. They're using the term as popularised by the late Clayton Christensen and his 'disruption theory'. As such, one needs to understand its implications.

A new player in a market doing something ostensibly different, or very successfully does not amount to being a 'disruptor'. Take Uber for example, a company often heralded as a disruptor. However, in relation to the theory this is not the case. Many people already know of this example and may even quote it, yet then go on to describe other businesses as disruptors incorrectly.

Disruption theory, coined by Clayton Christensen in the 1990s, highlights the characteristics and dynamics of disruptive innovation. Simply put, they are innovations which disrupt the paradigm of an existing market, driving it in new directions of performance.[2] It is this lens through which the advice-tech market and the advice industry is viewed within this paper, using the following terms as per Christensen's work: [2,3]

Sustaining innovation – making good products better through the development of features

Performance oversupply – services provided are more than are actually required by the majority of customers

Efficiency innovation – being able to do more with less and thus freeing up capital

New market-making innovation – creating products which target current non-consumers or 'underserved' consumers with an initially poorer performing product

Part 1 – Levelling Up

If I had asked people what they wanted, they would have said a faster horse.[4]
Mis-attributed to Henry Ford*

*There is no record of Henry Ford ever saying this. The phrase has been attributed to him through a synthesis of his opinions and strategies, along with the work of other notable scholars and scientists.

Levelling Up

Think back to how administrative industries conducted business in years of old. Filing cabinets with reams of paper, hard-lined phones, letters being mailed and more very manual processes. The advent of the computer ushered in a new era of efficiency through which some of these tasks were swallowed. There was a progressive change from paper-based activity to electronic as the power and functionality of computers enveloped administration. We began to cut down and eventually eradicate the filing cabinet in line with the ever-increasing storage capacity of the hard drive. Eventually, computers became folding tools we could put in bags and phones were even placed inside them. Gone were the cables through Wi-fi connectivity and 'paperless' became the new office norm.

Each of these passing steps was a level above the rest. Sure, there were teething problems along the way, however looking back I am sure we can all see these as steps forward in efficiency, cost and functionality. When those steps are 'large enough' we might refer to them as a paradigm shift, or maybe a significant change in how something is done. Like horse and cart to car, paradigm shifts can be alarmingly obvious. But in industries where technology is somewhat more developed than the wooden cart, those shifts can seem smaller and more incremental in nature. For example, what would levelling up look like in the advice industry? An industry in which there are many technology players and pieces of 'tech' and where billions has been spent in developing and innovating? What opening is there for paradigm shifting innovation?

Like the examples given earlier, most of the noticeable technological innovations are ones which absorb complexity, cost and inefficiency and produce simplicity, savings and time back. These efficiency innovations create significant jumps which enable, or even force industries to change lest they be left behind. On rare occasions we see new market making innovations. Ones which initially defy our powers of logic or maybe simply our understanding of human beings. I specifically remember a clip from Tomorrow's World in which the presenter remarked on how a Personal Computer will be present inside the home of every family within xxx years. Many could not or would not have believed them.

More recently, the iPad achieved the same disbelief in me personally. The day I first saw one in person, I could not get my head around why someone would purchase something which did a poorer job of something we had existing products already to fulfil. This is a type of new market-making innovation which is hard for most mere mortals to foresee. To think of potentially *both* a PC or laptop *and* an iPad being in most homes today is mind boggling.

Jobs to be Done

As far as Clayton Christensen was concerned, we consumers select tools, devices and implements as options for completing our 'jobs to be done'.[5] We do so based largely on their availability to us and the extent to which they 'do the thing' we need them to. However, our frame of reference is the existing paradigm – the way things are currently

done. For the majority of the world, it is very difficult to imagine what tool or process would do this thing better when that thing does not exist. No one does it that way, so how would we know? Beyond that, what if I don't even know I want to do this thing over here, until 'people' start doing it?

Netflix is a rather comical example for those who know it, of how such innovations disrupt a given industry.[6] After famously being laughed out of the Blockbuster head offices, the founders went on to completely disrupt the industry of rented evening entertainment (well, a certain kind), by changing the paradigm. Importantly, as with virtually all innovations of their like, Netflix began with a poorer version of the product but delivered in a way which changed the value structure of that experience. The founders believed that what we wanted was the ability to choose a movie to watch from the comfort of our sofa, not from inside a Blockbuster shop. While Blockbuster continued to focus on ensuring they had the latest titles, jazzy displays and even food and drink in store, Netflix was releasing a limited selection of dated films (very few of which were likely available in Blockbuster) through their streaming service.

Obviously, we all know the outcome of the Netflix and Blockbuster situation (there is apparently one Blockbuster store still open for the sake of novelty). But what people are more oblivious to is the way in which these evolutions or disruptions occur. Technologies are invented or subsumed and tasks are replaced or altogether disregarded because of changes in the value structure of an activity or industry. The initial steps are more painful, slow or limited but inevitable steps in the adoption of something. The first car was ugly, sluggish and temperamental and yet the horse and cart died off (figuratively). Filing cabinets are gone, phones are more powerful than most computers and virtually everyone watches Netflix who themselves produce movies bigger than Blockbuster ever had on their shelves.

The Advice Industry

What then of the advice industry? Is a paradigm shift possible and if so, what does it look like? The answer is possibly as simple as what changes can actually be made or what new thing can be produced which changes the paradigm of the industry to any extent? In some ways, this question benefits from the fact that some variables will not likely change at all. This is a regulated industry, which for now at least is a proverbial immovable object and for good reason. Advisers must be qualified, show their value to clients and so on. The mounting regulation will only push harder in that direction in the coming years. So, if not change in that direction, from where will it come? Consumer behaviour, market size, technology? Part 2 will now focus on the latter and suggest what I believe to be the answer.

Part 2 – The Evolution of the Species

"It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself."
Leon Megginson (1963) on Charles Darwin's ideas within 'On the Origin of Species[7]

The Current Advice-tech Landscape

Technology is often highlighted as the obvious knight in shining armour, or panacea for all that ails. Fix the advice gap? Technology. Become more efficient and increase profitability? Technology. So on and so forth. While the market sees technology as surely 'the way', this blanket statement does little to provide meaningful content or guidance whereby innovators in this space can make an impact. What technology? Executed in what way? Distributed how?

To say there is an abundance of technology in the wealth management market is an understatement. Granted it is anecdotal evidence, but in my experience, advisers are using on average 10+ different pieces of tech within their business already. Each of those would likely boast their value for advisers to do x, y and z. Yet, even with this abundance of technology and the huge amount of time, money and effort spent on innovation, the advice gap continues to grow, many advisers are selling up to consolidators through fear of consumer duty and the cost of support staff has risen progressively.[8] But technology is the answer, of course.

Currently, advisers have a large suite of software providers (referred to as 'providers' from now on) to choose from, each sitting within the different component steps of the financial planning process.

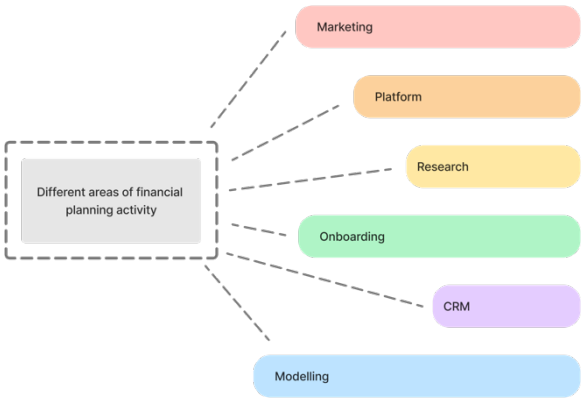

Figure 1. Different areas of financial planning activity (not an exhaustive list)

Generally speaking, each of these providers operate largely within one or two verticals (CRM, cashflow modelling, analytics, marketing etc). They operate on various license agreements, locking financial planners in for long periods of time and pricing out those who cannot afford to pay per seat. In a bid to establish themselves as leaders in the marketplace (within their vertical), differentiate themselves from competition and create 'sticky'

products, providers continue to stack features on top of features (sustaining innovation). This stacking leads to the creation of features advisers do not need or ever use, but nevertheless look impressive or 'advanced'.[9] Another way of expressing this would be 'performance oversupply' as Christensen would say.[10]

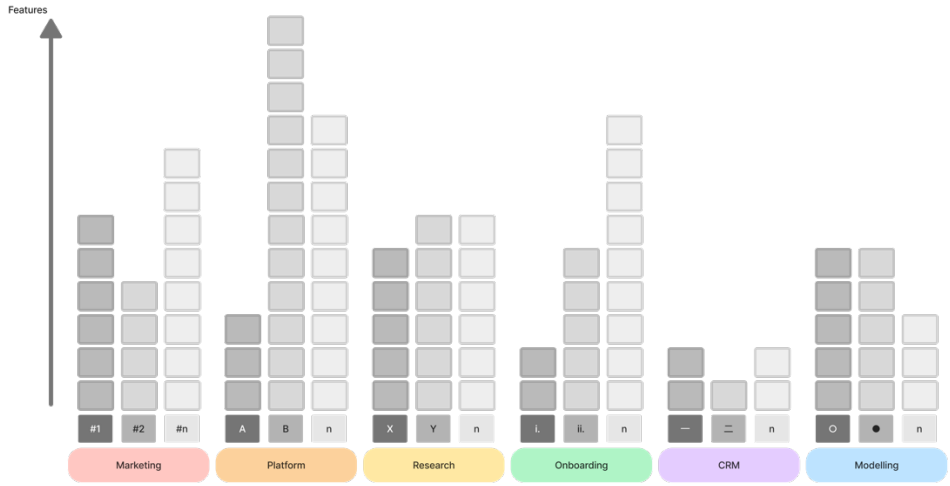

Figure 2. Feature races within narrow buckets of planning activity

They also have the unfortunate issue of not 'talking' to one another or integrating. As such, the disparate nature of the products means that their interconnection is far from seamless or even non-existent in most circumstances. Many firms do not have their own CTO or technology lead to connect APIs and the like.[11] This leads to a spider's web of disconnected technology 'solutions' advisers have to navigate daily. Which in turn leads to rekeying data, the possibility of mistakes, duplications, huge time wasting and other operational or compliance issues.

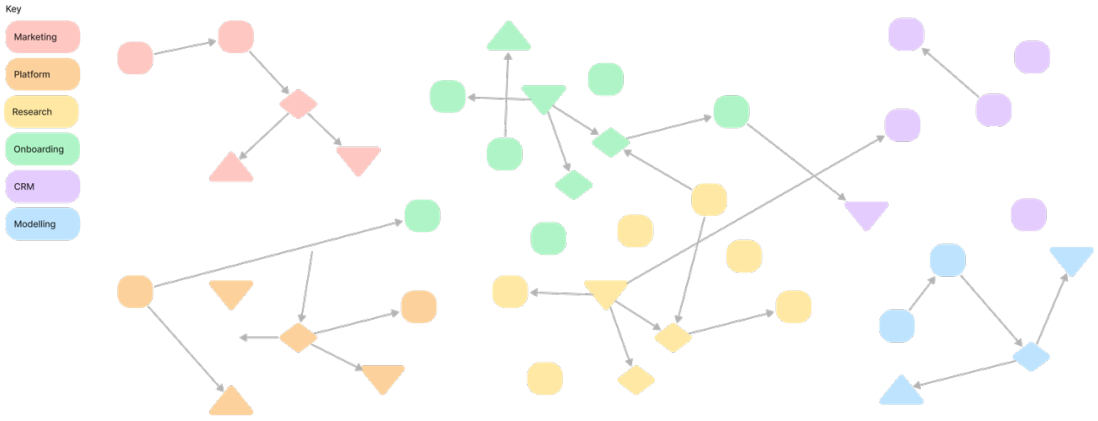

Figure 3. The spider's web of the average advice business 'tech stack'.

Mounting Complexity

Brian Tracy's Law of Complexity states the "complexity of a process increases by the square of the number of steps in that process"[12], where complexity is explained as the potential increase in cost, time and mistakes. Assuming this is the case, complexity is potentially increasing exponentially every time advice staff jump from one piece of software to the other, incurring lost time, the chance of mistakes and of course higher costs. Multiply that by the number of software items and you have a rather messy and inefficient basis for running advice businesses. This is likely why firms have such high back-office costs through numbers of staff and ultimately why they won't or can't scale well.

Tesla's law of conservation and complexity argues that for any system there is a certain level of complexity that cannot be reduced.[13] This irreducible complexity exists in a trade-off between developer (creator of product) and user (end user of the service) in terms of who bears the brunt of the challenge.

Currently, the complexity of running a financial advice business is felt by the planning firms, not by the tech providers. This may sound harsh, given the no doubt complex makeup of all the features produced by these companies. However, given the spider's web of solutions and the implications of the law of complexity, advisers are managing this complexity by hopping from system to system (complexity pushed toward users). For software companies to take on the burden of complexity, they would have to absorb this complexity themselves and provide a simple solution for the end user. This is not what is happening. Currently, greater innovation is positively correlated with complexity (for the user) because these developments exist in verticals not horizontals.

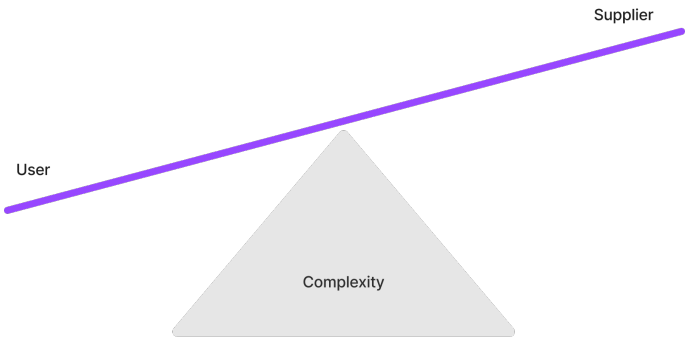

Figure 4. The scales of irreducible complexity between provider and user. Someone will bear the brunt.

Form vs Function

If we were to view the process of financial planning from a form vs function perspective, what would we deem to be advantageous for advisers? More performance or functionality in each module (the vertical dimension) which does not relate to another, or functionality *across* the financial advice process (the horizontal dimension)? While this is not the responsibility of a tech provider for cashflow modelling for example (and no judgement is being made here), for someone to make real innovation that considers 'adviser process function' over form, the answer seems obvious; horizontal function development, not vertical.

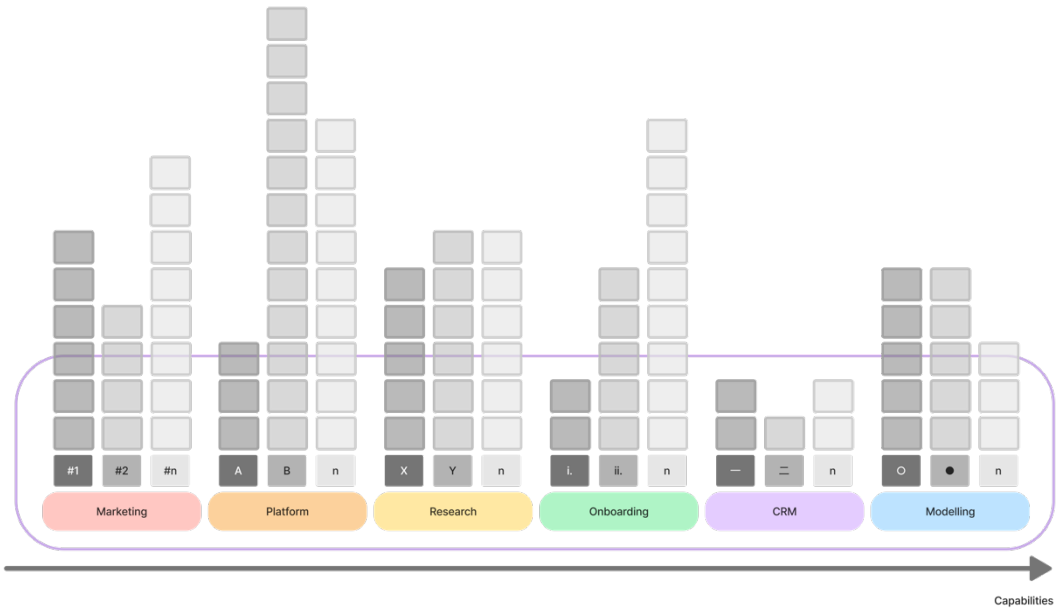

Figure 5. Horizontal dimension vs the vertical dimensions.

Horizontal Functionality

Ecology and evolutionary biology show us how a reductionist construct (multiple but distinctly separate components) is not adaptable.[14] Rather, separate components need to be combined into one functioning organism (complex adaptive systems) for it to have emergent properties, of which adaptability and thus evolution are born. Think about any biological entity. The various particles or atoms on their own are not 'alive' and cannot evolve and adapt to their environment. But the combination of those particles into one organism creates life and thus evolution can begin. I would argue the current world of advice tech is a reductionist list of separate unconnected particles which are therefore not alive (in this analogy).

Biology shows us the addition and integration of different parts into one, causes increasing levels of complexity or integrative levels of organisation. But importantly, this is *within* the

system (i.e. developer owned complexity). However, it is this internal complexity through layers of integrative organisation that causes those new emergent properties to arise (efficiency and adaptability).[14]

As intimated earlier, consider the development of various ground-breaking technology. The laptop for example, is the combination of a word processor, a telephone, a filing cabinet, a messaging service and more into one usable artefact. The answer to improving business efficiency, let's say, was not to make better and more complicated filing cabinets (sustaining innovation), but to subsume their functionality into a more dynamic product (efficiency / new market-making innovation).

We should also note, how these complex adaptive systems are just that – adaptable. People regularly confuse Darwin's theories as basically 'the strongest will survive'. As per the earlier quote, what appears to be the most accurate interpretation of Darwin's ideas is the most 'adaptable to change' will survive.[7] For an advice firm to remain adaptable, they would have to utilise (and effectively so) technology which is able to react to required changes and implement these across their advice process quickly. In nature this is referred to as phenotypic plasticity.[15]

Again, this plasticity can only happen efficiently if it is part of an interconnected system. Consider regulatory changes to come. Being able to change your approach at the level of reporting and have that echoed in the CRM and digital journeys provided to collect, onboard and service clients would be huge. The convoluted spider's web of tech used by advisers would see nothing but difficulty. You would have to adjust all the separate parts of your process (each one likely from a different provider) in order to remain compliant and effective.

Let's take a moment to summarise what we've covered

- Complexity exists in a trade-off between developer and user
- Currently, the spider's web of software and 'sustaining innovation' pushes complexity toward advisers
- Complexity is driven by the disparate nature of unconnected tools leading to increases in time, cost and mistakes
- Adaptability and the emergent property of efficiency (efficiency innovation) requires integration of component parts into one organism
- If end users want simplicity, the complexity must be managed by the developer (technology provider)

Disrupting the Market

To be clear, there are several factors which lead to possible disruptions (more to come on this in my next essay), with performance oversupply being perhaps the most important. It lays the foundations for disruption to occur by impacting the value structure and therefore buying behaviour of the market, as well as the stagnation of incumbent technology providers towards efficiency innovation.[10]

Importantly, there is ample evidence of performance oversupply in the advice tech market. For example, in 2022 the FT Adviser claimed that the current advice market reportedly uses less than 25% of the available features of its tech stack.[16] The majority of articles on the state of the advice-tech market focus on technological change, but again within the limits of the existing mindset.[17] Adding this tool or that one, the effects of AI and behavioural analysis and so on and so forth. However, little attention is given to the horizontal component outside of some aspects of back-office integration.[18]

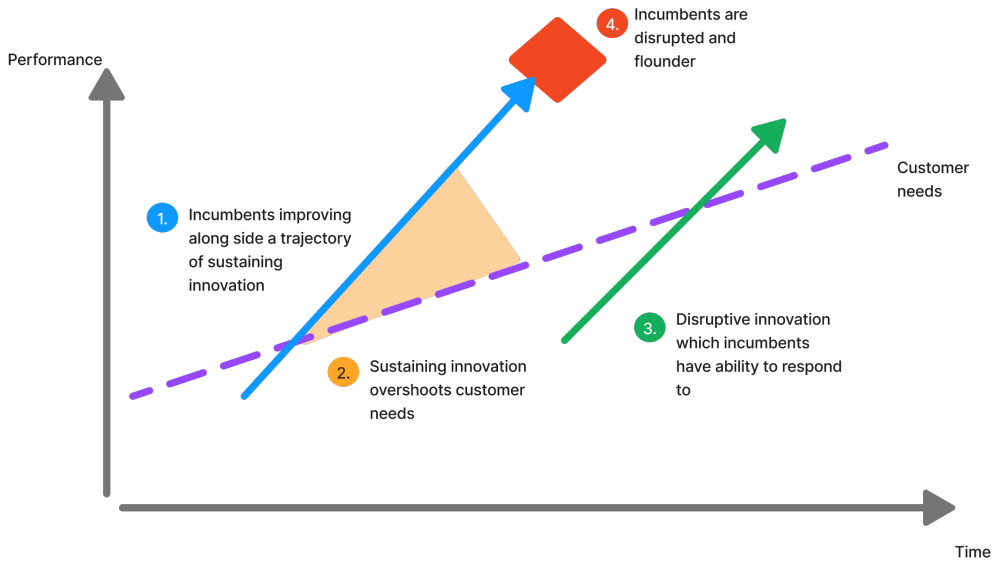

Figure 6. Depicting performance oversupply and the emergence of disruptive innovation. (Adapted from King & Baatartogtokh, 2015)[19]

My view is that the only logical way to drastically improve the efficiency of adviser tech is to stop 'sustaining innovation' in the aforementioned verticals and focus on end-to-end horizontal integration (efficiency innovation). Or rather to subsume all the different parts of the advice process into one easily usable platform. This would mean everything an adviser would need to give advice and transact business. From attraction tools to CRM and practice management, to platforms and providers and everything in between. Only then could we cut down on user complexity, time and cost and provide a seamless experience for advisers. Imagine only needing to log in to one single source of truth and operating system,

through which you can onboard clients, conduct attitude to risk profiling, get documents signed, run cashflow models, create reports and invest client assets.

Figure 7. Changing the paradigm from vertical features to horizontal connectivity. A minimal set of features for each area of planning, fully connected with one another in a single solution.

In the short-term, this does not mean creating new versions of these technologies in-house or reinventing the wheel. It probably means integrating with market leaders and creating one usable interface with which advisers can operate.

Importantly, the message here is not a derogatory one. The likely direction of travel is integration with best in class of which there are many to choose. What I am perhaps saying is for these providers to survive they are likely in a 'race to integrate'. This race requires they do so quickly and at a deep level as the potential demand for integration into single platforms will create competition where the 'good' and most open will succeed over the 'best' and closed off.

A Working Example

Figure 8. is a brief illustration of how most businesses work in terms of their interaction with technology for conducting financial advice. I'll make an assumption here that the majority of firms have already mapped their processes and therefore know how long this all takes to utilise and then of course, how much it costs them. The spider's web of technology means leaving the CRM frequently, rekeying data, copying and pasting, multiple log-ins and more. If everything was within one system, right from lead generation to writing the business, imagine how much time would likely be saved.

Now of course, handling the challenge of increasing integrated levels of complexity is far from easy and is likely why current incumbent tech providers have avoided it. It is a big task to bring together all those different parts of advice software into one house while keeping advisers happy. It is important to note then, that the first examples of technology in this form will likely be very light on features (poorer performing in comparison with the current tech examples) but high on connectivity. But remembering the process of disruption, many people will initially believe the product to be unfit for purpose and thus disregarded... Much to their demise.

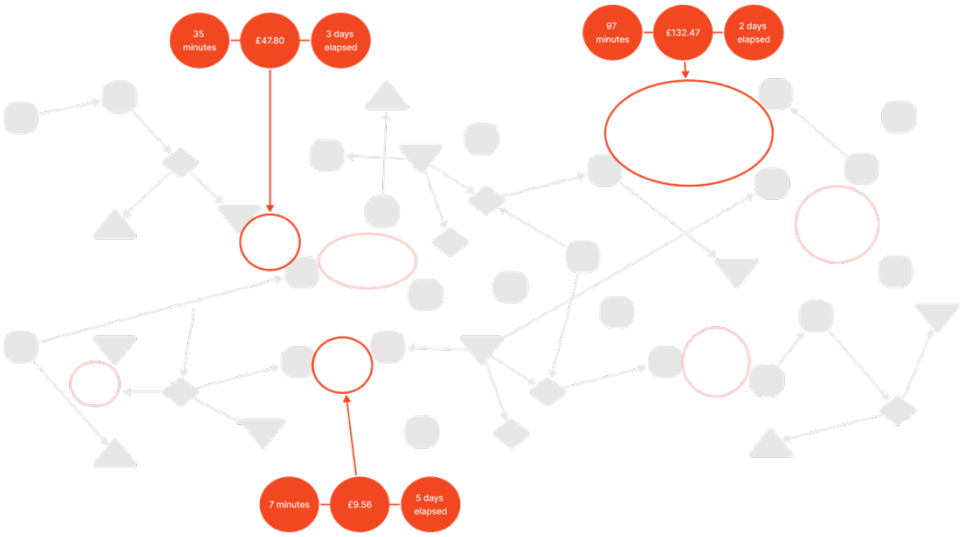

Figure 8. The time and cost implications of the current disparate 'tech stack'.

Disruption theory teaches us the alternative performances users *do receive* will eventually become more attractive and valued by users (value structure change), until the point of inflection (disruption) occurs.[2, 10] In this instance, massive operational savings at the expense of losing some widgets people don't even really need and didn't really use. That is how the paradigm of financial advice tech will change from vertical independent functionality to horizontal single solutions (in my opinion).

A Word on Configuration

Many different tech providers maintain the ability for high levels of configuration. This is billed as, or is even required as, a benefit for users. The assumption being that high levels of configuration add a dynamism to the platform which aids advisers in their business. This is often under the guise of enabling firms to reflect their advice philosophy through protracted advice processes and complicated workflows. While there may be some truth to this for the adviser, configuration of the platform actually limits the development of the product and by extension the advice firm.

Configuration can often lead to branching within the technology. A maze of 'config' leading the user away from the central platform product and therefore away from updates and developments of the system. Or put another way, the more you configure and bespoke your approach, the harder it is for that provider to ever improve your service offering. I've spoken to many firms that have experienced this. Their frustration at having caused it themselves or rather being 'allowed' to do this is often palpable.

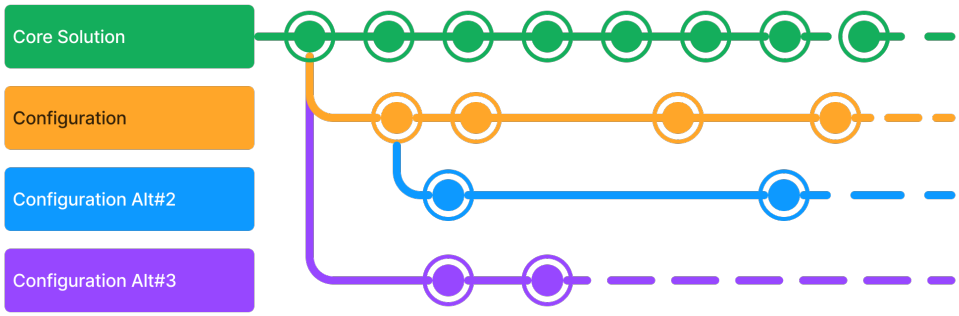

Figure 9. Branching away from the core product through configuration. The greater the configuration the greater the problem for future updating and development.

Philosophically, configuration makes some sense. Tailor the tech to be a bespoke proposition which makes a firm unique in its offering and way of working. Yet in reality, you make yourself an awkward uncle at a wedding party – dancing ridiculously on your own, unaware the song has already changed. When the tech changes, your independent branch cannot be updated in the same manner. You are left alone, often requiring the services of expensive consultants to maintain your fragile tech solution or get it back to where it should be.

Configuring your tech feels like a good idea once again because the tech providers are pushing complexity toward the users, rather than handling it themselves, which has therefore become the industry norm. I would stress a different approach; one of centralised simplicity and best practice optimisation. Centralised simplicity in that the end-to-end

product should be fully connected, but also simple in its design with very little configuration to stop the branching which causes so many problems for advice firms. I am also inclined to believe a best practice solution is achievable for financial advice and that this will be reflected in the technology. Of course, there will still be nuances involved, including some level of 'non-branching' configuration to foster the workflow and identity of the firm. However, how many ways are there to deliver advice? How much of the differences are derived from the tech process and how much from the advisers themselves?

Working on the earlier assumption of end-to-end connectivity and the advice process all in one system working as an organism rather than abstract and separate components, the organism could be updated as a whole. Again, this is more like an evolving technology rather than a 'build then run it until it's obsolete and then painfully replace the tech' approach so common in the industry today. If kept this way, the evolution of the technology is felt by everybody. Think Apple updates rather than computer console changes (binning the old Play Station as it is replaced by the new).

Compounding this is again the advantage of having a technology supplier handle the complexity of updating the system in line with regulatory changes. If left to the advice firm, whenever regulation changes, those who have configured their own systems need to reconfigure them to suit. Multiply that by the number of firms doing so and you see a messy scenario. Whereas doing this once centrally makes for a much tidier process. Think 'car manufacturing firm updating its processes and standards to meet new car safety regulations', rather than 'kit car creator needing to add new seatbelts due to regulatory changes deeming their existing belts unsafe'.

Part 3 – AI and Automation

"We're witnessing the creative destruction of financial services, rearranging itself around the consumer. Who does this in the most relevant, exciting way using data and digital, wins!"

Arvind Sankaran[20]

AI and Automation

In 2018, Altus wrote a paper on the future of AI in financial advice. Reading this back now, many of the advancements predicted have yet to materialise completely and many of the fears not yet realised. The vast majority of other papers and articles of the time and until recently, have focused predominantly on the role of AI in conjunction with giving advice. Or the threat to advisers, the advice process and the industry as a whole. More recent press has begun to discuss how AI will make advisers lives easier rather than replacing them.[21]

This recent development seems to coincide with the rise of AI co-pilot note takers. I have personally witnessed a marked increase in their use over the last two quarters, with firms stressing their benefits for general business meetings or even client meetings. Some of the talk from these providers has been rather bold, suggesting 'CRMs will be dead really soon'. Whilst I agree to some extent, I think it is a narrow-minded view.

On the one hand, increasing efficiency by adding an AI note taker is ostensibly good. Advisers may be able to trim off some time from their client meeting admin. Although, for most advisers, this process still requires copy and pasting of relevant detail into the fact find. But 30 minutes saved is 30 minutes saved, right? Yes, but you've just added item number 12 to your tech stack leading to another license which requires keeping, another thing to try and integrate and so on.

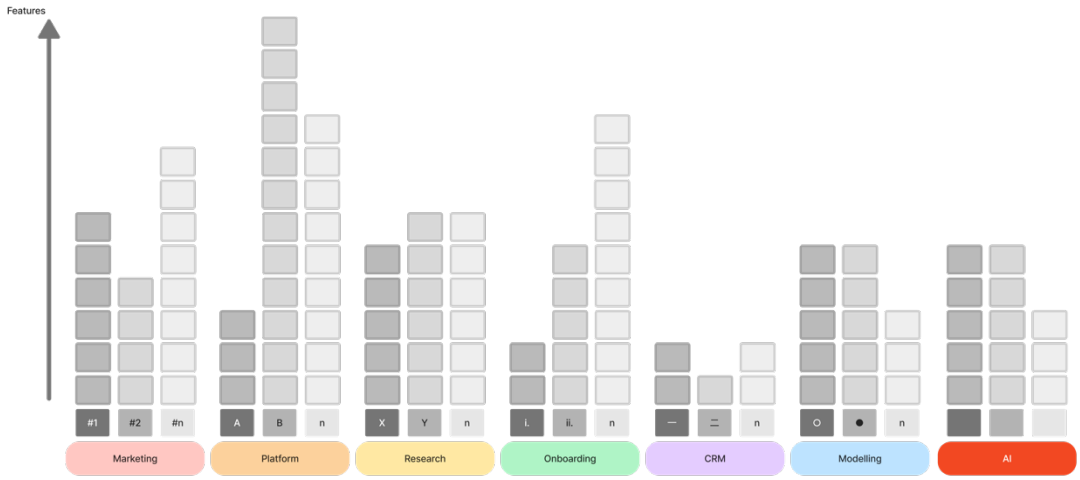

Figure 10. Adding an AI tool onto the existing 'tech stack'.

The view of this paper is simple in that AI for advisers is not a product, but merely a feature. This is not meant to be too harsh to AI-specific providers, but rather a statement of belief that in today's world, AI is or should be hygiene. Providers should be looking into and launching their own AI, lest they be left behind.

In the case of AI interfaces replacing CRMs, again I think this is rather myopic or even misleading. Sure, the thing advisers interact with may in time come to be whatever UI is in place for the AI (a chatbot, for example). For the AI to be truly effective though, it needs to be able to interact with your data, lest it remain a notetaker or something similar. In other words, it needs a database. Then that database needs to be organised for accurate retrieval (essentially the structure of a fact find). Then it needs to be connected to a relevant ATR tool and so on and so forth until guess what? You've just built a CRM. Regardless of what you *show* advisers, the AI has to interact with something. Perhaps the only difference is how the company begins trying to build this; from AI tools and then backwards into everything else, or from everything else finished off with AI tools?

Single Software with Embedded AI

When AI is added to your cashflow modeller, the AI begins and ends with your cashflow modeller. If you have the apparent 10+ different pieces of technology and want AI benefits for all, do you need 10+ pieces of new AI tech? Do you have to wait for each of those providers to launch their own? If so, you still have 10+ items and no integration. The providers have once again made their product sticky through AI performance oversupply, and you are no closer to the larger efficiencies possible.

Rather than adding item number xx to the tech stack, let's revert to the single solution idea discussed thus far. Imagine a meeting with a potential client whereby your note taker identifies available fact find information and subsequently populates the relevant fields in the CRM. During the call, the AI flags the discussed potential IHT issues of the client and sends them your embedded IHT calculator to try after the meeting. It logs any tasks relating to the call, tagging and notifying your admin team for any follow up. Or even further, if they gave you the proverbial nod in the meeting, simply asking the AI to create letters of authority or connect the client to their portal to complete their attitude to risk questionnaire or financial health check. Or even further, chasing letters of authority with providers (where the world of AI gets really juicy).

When your front and back-office functions are part of the same system, the AI can add value between both. It could understand the various schemas of your advice process, cutting out leg work to the point where only the adviser led elements are left. If AI runs along the entirety of your tech proposition, a new world of possibility arises in the form of behavioural analysis and more. In fact, it is easy to go down a rabbit hole of possibilities regarding the future of AI when part of a single tech solution, so I'll stop here and let your imaginations do the rest. Needless to say, much of what you can imagine will be possible.

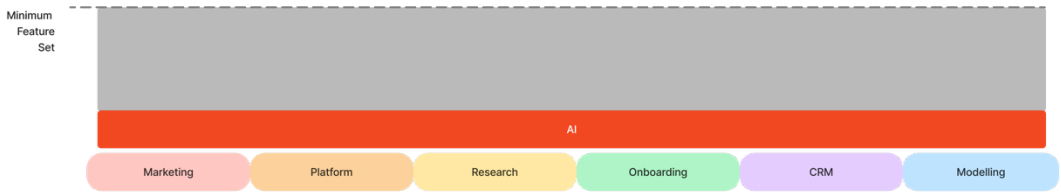

Figure 11. Integrated AI across a full end-to-end software solution.

MI and Reporting

Where I am in slight agreement with some of the AI provides coming to market is in the areas of reporting. I would soon envisage an adviser's ability to ask the AI chat bot for any report they wanted and, in any format or style. If the AI you're engaging with can interrogate all your data, it will have no issue in returning anything you want to know. Like anything, there will be iterative steps along the way, but for those who have experimented with Chat GPT and its ability to make images based on prompts, you will have some idea as to how reporting will be conducted soon.

This will likely lead to a more dynamic approach to MI and reporting, where firms will have their standard formats, mixed with off the cuff insights and flexible approaches. A common question for advice-tech firms is 'what is your MI and reporting like?'. In an AI embedded end-to-end solution, the answer will be 'whatever you want' but importantly without layers of configuration.

AI and GDPR

Perhaps the less talked about concern for AI, rather than human obsolescence and Terminator style destruction, is the risk its misuse may cause in data control. For example, using Chat GPT for anything client related is a major potential concern. As a data controller, giving or exposing sensitive personal data to a chat bot or open AI tool is an easy thing to do while trying to explore their functionality. Given you have no control over what happens to that data, your responsibility is therefore not to share it.

A fairly recent conversation with an advice firm is a case in point. The adviser in question mentioned they were using one of the more popular AI tools in the market for every client call (they work exclusively online). I asked him if he knew where that data went to which he replied "I'm not sure. The US, I think". This was our understanding of that tool too and should be a big no for any compliant adviser. Unfortunately, sometimes the allure of a new shiny or fashionable thing is too much for us and we forget we have to do our due diligence.

In the above situation and as with Chat GPT, if you can't use AI for anything relating to your client and their more sensitive needs, then this is a little stifling. Instead, the AI would need to be a GDPR-friendly solution or a closed-loop application *within* the technology itself,

developed by your advice tech provider. With the former, you still have the issue of item number xx on your tech stack. With the latter your GDPR concerns rest firmly in the hands of your data protection and GDPR policies shared with that supplier. But it also means, to really see the benefits of what AI can bring, you are at the mercy of that provider's development and their ability to connect with everything else you use.

Automation

Possibly the biggest concern rearing its ugly head in the industry is the cost to serve lower revenue generating clients, particularly in the form of their annual reviews. Both recent research and my own experience have shown the average cost to conduct these to be circa £800 per head and around 5 hours of staff time.[22] With the extra stress of Consumer Duty and the pressures of profitability, the market seems to be either trying to come up with low-cost solutions for these individuals or letting go of them entirely.

Taking the former idea – how does one come up with a low-cost solution? Who provides this? At what cost to the firm to set up? How long before profitability is achieved? Answering these questions is far from easy and not the focus of the paper. But in short, a low-cost solution probably looks like an automated digital journey, reinforced by whatever online call or contact strategy the firm wants to give. What is required to produce this? Well, you would need all the usual information pertaining to the annual review, plus a digital journey flagging 'no-change' (in the majority of cases) or changes which require adviser input, with reports generated and all the data flowing back into the CRM for future case checking.

If this is to happen within the existing 'tech stacks', how difficult does the task become? Whereas if all those processes existed within one system, the creation of digital journeys becomes much easier as all the information is already available and flowing. Couple this with embedded AI and the solution becomes much easier to imagine. In my view, this is how profitability with low revenue generating clients is solved.

Behavioural Analysis and More

Financial advice, while predominantly a numbers game, is predicated on human beings and therefore human psychology. True technological innovation then, should likely include this dimension from a client perspective, rather than simply focusing on adviser efficiency. We are seeing some of this activity taking place in the advice market,[23] with multiple examples of research making suggestions for how behavioural sciences can be used to improve the advice process.[24]

Much of this work is being developed by risk profilers. However, consider for a moment if this were to be infused with AI and fully integrated into your CRM. Imagine being on a call with a client for the first time, seeing the notes of your call being transcribed along the side of the window. Now imagine AI-based prompts reminding you to ask about any mortgages they have or anything else you may have missed. Then imagine the AI analysing their responses and behaviour patterns, providing interpretations based upon known research

and datapoints. Go a step further by imagining the AI analysing facial expressions to manage the call more effectively, determine attitude to risk, identify deeper issues or motivators and facilitating you to uncover or support them accordingly.

When you have a bank of data with AI focusing on behavioural analysis, you'll have the power to assess your value to clients in ways unimaginable currently. It will take a great deal of guess work out of the process and provide Consumer Duty evidence the FCA could not have dreamt of to date. When you can validate your decision making and financial planning strategies for each client in this way, plus then the value added over time in an interactive report, you may well have hit the jackpot.

Conclusion

Everything included thus far has been a one-sided affair. My own experiences, collaborations and theories condensed into a document with no counter argument present. So, before finishing and concluding the message, I thought I would address some counter arguments to the central theme. The majority of these came from me scribbling notes at the Langcat event in September 2023 in Edinburgh. When the idea of single system technologies was voiced, these were the main objections I heard.

Too much reliance on one system

Much as with any technology, there are always risks regarding uptime, continuation of service and so on. However, as with technology in general, these risks reduce over time. How often are AWS servers down, for example? Again, if you view the *overall* situation through the lens of the *current* circumstances, you will always see these as problematic. If you think about trying to future-proof your business through technology, you will likely be thinking ahead. The view of this paper is that regardless of the issues along the way, single platform technology will be where the market goes.

Also, surely the risk of reliance upon one system is the same as the reliance of 'one system' for ATR or cashflow modelling etc? Unless people are suggesting they hold licenses with multiple cashflow modellers 'just in case one goes down'? Granted, one could stress that risk is worsened by the scale of a single solution piece of tech. However, I might stress how the risk of reliance on one piece of tech is far outweighed by the efficiency savings obtained by doing so. If not, are we expecting the industry to stay the same forever? People must have had the same issue with removing the filing cabinets and going to laptops… 'what happens when the laptops go down?'.

Lack of choice

One audience member suggested a lack of choice as a major concern when it comes to single solution tech. I again believe this to be missing the point. For example, once you buy a Macbook you still have choice regarding your browser (firefox, chrome, internet explorer, safari) In that sense, best in class integrations is still 'choice'.

To desire choice in the *component parts* of the hardware in the Macbook is a bit like complaining you can't get Ford wheels on a Mercedes. Who says you need them? Who says you should want them, or that you actually benefit? But also, having a Mercedes often means you can still choose your wheels. They're just the ones Mercedes have available and that fit with the vehicle.

The only reason people think this way is because currently, they have to construct their own car by purchasing separate parts and plugging them in together, hoping it will work. This 'choice' clouds them from seeing the issue. Choice in what wheel to purchase, is not a benefit. They are conflating choice with benefit. Do they complain about the lack of choice

in their real-world car? No, of course not. The frame of reference is different. They expect the car to be complete with nothing to be plugged in or purchased separately to have a car that works. Imagine having to go to different providers of car parts, choose the appropriate one and then plug them in with the other. In the case of advice tech though, unlike the car analogy, many of those parts do not actually connect and thus they don't really have a functioning car that moves forward. Indeed, some bits move forward, while others stall or even drag the 'vehicle' backwards. This is the current advice tech market.

As discussed earlier, going from a filing cabinet to a laptop does not limit your ability to choose. It changes the field of competition and choice. When a laptop / computer was invented, people now had the ability to store files electronically. Sure, in the beginning there was less choice, as only a few players were at the forefront of technology taking a product to market. But now there are many more. The important part of the story is that the technological leap is a level up from the last, changing the playing field and encouraging more people to make laptops rather than filing cabinets. From this, springs the choice people are concerned about.

Just a utopian vison... It won't happen

Technology is a moving feast where change is driven by disruptors who effectively drag the technology along, rather than the other way around. Disruptors have to imagine a future and create the technology to execute upon that vision. What I have described in this paper may seem like something out of an Arthur C. Clarke passage, rather than a realistic eventuality. But, believing a single solution option as beyond the limits of technology is simply naïve. Each of the parts of the process are *already commoditised and therefore available*. Granted, creating a solution like this which is *affordable* is a challenge, but given the advancements and scalability of technology it is only a matter of time before it is achieved and before the rest of the market follows suit.

Eventually, some things are assumed as 'taken care of'. People don't spend all their time thinking about how a car works or how it is put together, they just buy a car assuming all the complexity has been solved for them and as such commoditised. The same will likely be said for advice tech in a single solution manner. It will be assumed that the apparent complexity has been solved, thereby causing people to buy the solution. The complexity is the lack of horizontal connectivity, so the single solution or 'car' will be purchased and no one will ask or care about how it has been achieved.

My Advice

For existing fintech providers I recommend investigating and building strong relationships with organisations building tech across the entire advice process. Accessibility is likely key here, making point to point integrations with software platforms thereby ensuring some degree of safety. Many advisers have preferences for cashflow modelling and so on, developed through good service and innovation over many years. This is not to be disregarded. These legacy relationships mean that advisers would be asking these new

platforms to be integrated with a favoured entity. So, as firms start using full systems, you'll need to be on the list or even the 'best-in-class' to stay in the game.

For advice firms the message is simple. If you want some serious efficiencies that increase your profitability to heights undreamt, then a single platform software provider is the way forward. Couple that with the automation of processes that make servicing low value clients much easier and you have a recipe for a great business. Less reliance on staff both in overheads and time spent on admin tasks, with more time spent in front of clients (whether F2F or tech enabled).

So, current advice tech providers beware. Are you about to lose? Or maybe ask yourself the question 'Am I a filing cabinet or landline phone about to be subsumed by innovation?'. Advisers, ask yourself 'do I want to keep paying for a shiny filing cabinet, the most advanced filing cabinet yet?' Or are you ready to start using a laptop and throw the cabinet away?

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