

## PFM poised for a comeback

It seems like only yesterday that personal financial management was a fertile field for financial institutions seeking new sources of revenue, especially because new online systems promised to make PFM provision affordable.

But yesterday was a bad day, metaphorically speaking. The economy tanked over the past few years and the vast majority of bank customers were much more concerned about keeping afloat, let alone worrying about building a life raft for the long haul.

Okay. Enough mixed metaphors. The point is, PFM lost steam (sorry). In addition to the poor economy, it turned out the tools and services banks and others offered at the time in general just did not deliver what customers really needed. Also, customers were not convinced by, or did not trust, the advisors and financial planners who sought their business. For that matter, the financial institutions themselves were only lukewarm about the products, services, and solutions the third parties were offering.

"A few years ago, personal financial management was a hot topic," says Aite Group in one of several related reports it produced over the past few months. "Consumers were turning to PFM to better manage their financial lives, and financial institutions were rolling out PFM tools to repair their broken images, restore lost consumer trust, and find a platform by which they could effectively and efficiently cross-sell their products and services. Today, consumers are underutilizing PFM capabilities, and institutions have been unable to realize the tool's full potential."

The good news is that this seems to be turning around. Maybe people at least perceive the economy as bouncing back after bottoming out, and that it's time to start planning for the future again.

One indication of this, for example, may be seen in the number of fresh start-up financial technology offerings that debuted at this summer's Finovate 2012 conference in New York. Depending on how you define it, at least eight and maybe ten of the demo teams highlighted PFM, or at least consumer-investment-related, offerings. These included an online advice engine, 401(k) fee calculator, PFM widgets, a cloud banking platform for mutual funds, investing, and savings accounts, a tool for panoramic portfolio viewing, and more.

However, it is clear much more fundamental developments have to occur before PFM at the bank goes mainstream. First, Aite says in another report based on a study, the financial planners themselves have to upgrade—in the form of obtaining professional certification.

"Wealth management firms that plan to use advice as a differentiator need to get strategic about growing and managing the quality of the advice they provide," says Sophie Schmitt, senior analyst at Aite. "This should involve investing in designation programs that are proven to improve the quality of financial advice. Aite Group's study validates that [Certified Financial Planner] certification enhances the scope and quality of advisors' services, leading to higher client satisfaction."

It should be stated here that this particular study was commissioned by the Certified Financial Planner Board of Standards Inc., which is in the business of such certifications. At the same time, bankers should look to ABA's Institute of Certified Bankers, which provides certification in several areas of wealth management and trust. Go to <http://www.aba.com/Training/ICB/Pages/Certifications.aspx>.

There is more to be done both to correct existing technology and augment it with even better technology.

Yet another Aite survey of financial advisors uncovered the top two reasons why potential clients were lost in the account-opening process. More than half (56%) said some error in the account opening process took too long to fix, and 48% said the account opening process itself simply took too long.

"Firms must take the time necessary to understand the causes of inefficient account opening, whether people- or technology-related, and to study the costs of these inefficiencies for both the front and back office," Schmitt said in this report.

Along these lines, SEI, an investment services company, offers a free online tutorial titled "Top 10 Operational Risks." Just the titles of the 10 segments are instructive:

- Complacency. Many firms figure "so far, so good," but they court peril.
- The blind leading the blind. Trouble starts when those in charge don't fully appreciate complexities and demands.
- Apprentices and soloists. Risks can mount if knowledge isn't shared or the team doesn't understand the big picture.
- Dropped batons. The phrase "falling through the cracks" takes on new meaning.
- Naïve reliance on technology. Computers do exactly what they are told.

- Playbooks. Manuals don't do any good sitting on shelves.
- Amalgamated assignments. When critical lines aren't drawn, conflicts of interest arise.
- Reconciliation gaps. The feeling that "we've got it covered" might not be enough.
- Read the fine print. Know your legal requirements.
- Poor planning and slow response times. Change happens in the firm, the marketplace, and regulations.

Two more related Aite reports take forward-looking approaches to PFM redevelopment and related technology. One, again by Schmitt, simply concludes: "Wealth management firms should be experimenting with emerging communications and advice tools such as video chat and collaborative advice capabilities, which can help direct-channel advisors engage clients in deeper advice conversations."

Another looks at specific technologies that wealth managers likely will embrace in the next two years. The leaders: mobile solutions (64%); tablet solutions (48%); and virtualization on desktop and server (44%). Others close behind include social media, Big Data solutions, and advanced monitoring.

Javier Paz, Aite analyst, acknowledges that the acquisition of all these technologies will be extremely challenging and expensive. However, he says, "There is a silver lining for CIOs and business unit managers facing limited IT resources. Implementing outsourced technology, from business processes to specific technologies, is gaining popularity in the wealth management arena and can help cash-strapped firms afford the technologies they require."

Other analysts support this outlook. Celent looked at wealth management IT spending globally and concluded it will reach \$4.4 billion in 2012, and will grow 6.4% in 2013.

"A majority of IT spending will go to the front office. Tools that will help the advisor capture client information and engage clients through more advanced and interactive tools will gain priority," says Isabella Fonseca, research director at Celent. "Furthermore, wealth managers will allocate more of their IT resources to external software and services, as opposed to legacy internal systems and hardware."

A second recent Celent report, which looked specifically at wealth management platform vendors, expands on this point. "Wealth managers have no choice but to expand their target client range and introduce new channels of service. This can potentially increase the complexity of managing multiple systems, functionalities, and user interfaces," says Fonseca in this report. "Platforms allow administrators and enterprises to manage these different channels in a consistent and streamlined manner."

Which leads to the final indication that PFM is poised for a rebound—the response from said vendors themselves. One recent example comes from Fiserv, which enhanced its Unified Wealth Platform with new tools that enable greater customization, configurability, and graphical displays. "Advisors using proposal capabilities within the Fiserv solution will be able to look across all investment strategies at their firm to choose the most suitable ones for their clients," the company says.

All of which circles back to a point made in one of the Aite reports, *Strategies for PFM Success*, cited above:

"As many banks and credit unions have learned the hard way, a 'build it and they will come' approach to deploying PFM produces little in the way of bottom-line results for financial institutions," says Ron Shevlin, senior analyst. "To reap the benefits of their PFM investments, institutions will have to change consumer sentiment toward PFM and implement changes that will better encourage consumer engagement."

Sources used in this article include:

[Adding Expertise to a Financial Advisor's Practice: Measuring the Contributions of CFP Professionals](#)

[Strategies for PFM Success](#)

[Account Opening Pain Points in the Front Office: Advisors in the Dark](#)

[Emerging Advice Models: Do Direct-Channel Advisors Meet Expectations?](#)

[Wealth Management: Tech Priorities for an Adverse New Normal](#)

[Ranking Wealth Management Platform Vendors: 2012](#)

[Wealth Management IT Spending: A Global Perspective](#)

[Fiserv Enhances Unified Wealth Platform with Advanced Capabilities for the Rep as Portfolio Manager Program](#)

## Knowledge Center Archive-Top 10 Operational Risks

### About the Author

John Ginovsky is contributing editor of ABA Banking Journal and editor of the publication TechTopics e-newsletter. For more than two decades he has written about the commercial banking industry. In particular, he's specialized in the technological side of banking and how it relates to the actual business of banking. He previously was senior editor for Community Banker magazine (which merged with ABA Banking Journal) and was a staff writer for ABA's Bankers News. You can email him at [jginovsky@sbpub.com](mailto:jginovsky@sbpub.com)