Firm 2020

The Forces and Opportunities Shaping the Financial Services Firm of the Future

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YOUR CHALLENGE

Understanding the economic and cultural forces in these two studies will inspire you to think about your business differently.

The findings will very likely —

- Disturb you
- Spark new ideas about your business model
- Inspire creative thinking about the work you do and the value it provides
- Help you consider where your firm can best grow and excel in the coming years
Two Studies in One:

- The Market of the Future
- The Firm of the Future

Two Separate, Independent Research Teams to Ensure the Richest and Most Comprehensive Findings for Field Leaders

- Forecasts for Field Leaders
- Business Opportunities Based on the Forecasts
- Tools to Help You Apply the Findings
- Amazing Insights Into the Future

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STUDY ONE:
THE MARKET OF THE FUTURE

Client Opportunities:

- Baby Boomers and the New Retirement Culture
- New Generations and the Underserved Middle Market
- The Changing Business Environment
THE MARKET OF THE FUTURE CHECKLIST: IS YOUR FIRM PREPARED?

- The commoditization of insurance products and their pricing will continue and accelerate.
- Regulation aside, the generational and economic changes under way in the U.S. will compel the industry to shift its compensation model from commission to fees.
- Affluent seniors will seek lifestyle planning and retirement management services, not simply asset management.
Expertise is needed to manage the decumulation of assets over a 20-30-year retirement. The insurance and financial services industry must develop and provide this expertise.

As employees increasingly define themselves more by what they do than for whom they do it, business associations and professional societies may become a significant channel for marketing financial services.
Study Two:

The Firm of the Future

Six Change Drivers:

- Talent Development and Retention
- Consumer Needs
- Technology
- Privacy and Security
- Data Analytics
- Shifting Business Models
THE FIRM OF THE FUTURE CHECKLIST:
IS YOUR FIRM PREPARED?

- In 2020, first-line and front-line leaders will focus more on diversity outside the traditional census boxes when building effective teams.
- Firms in 2020 that want to attract the best talent from the Millennial generation will need to provide engaging, flexible work environments that align with this generation’s values.
- The firm in 2020 will need to focus on a much more diverse array of family structures and their unique risks.
THE FIRM OF THE FUTURE CHECKLIST: IS YOUR FIRM PREPARED?

- Competition and consolidation over the next seven years will result in a barbell-shaped industry, with larger firms dominating the high end of the market.
- By 2020, the mid-market will emerge as a growth market for firms willing and able to capitalize on emerging trends.
Business Opportunity:

HOLISTIC VALUE TO THE CLIENT
The Baby Boomers

- The largest, most affluent, best educated generation in U.S. history
- Comprise 40 percent of the workforce
- Control 52 percent of the country’s wealth
- Earn 46 percent of its income
- Provide a strong market worth following into retirement
THE NEW RETIREMENT

- Boomer clients must be advised differently:
  - The wealthiest generation in U.S. history
  - That wealth will not sustain a quality of life for three decades
  - Catastrophic events (accidents, illness, etc.) often devastate retirement security
  - Will not be satisfied to simply pay for asset management
  - Will recognize that retirements must be planned and managed like careers
OPPORTUNITY:
LIFESTYLE MANAGEMENT

- Clients want to preserve their quality of life throughout retirement
- This requires managing the *decumulation* of assets
  + Not a simple exercise
  + No one knows how to do it well
- Value-added services will be needed to protect wealth
OPPORTUNITY:
LIFESTYLE MANAGEMENT

- Holistic lifestyle management includes:
  - Home safety and aging-in-place strategies
  - Decisions about relocation and assisted living
  - Personal health management and support
  - Negotiating bureaucracies to ensure benefits
  - Managing finances and minimizing draw-downs
  - And more

- Fees will compensate services rendered
- Gatekeepers will position their businesses to control access
Business Opportunity:

ENCORE CAREERS
SENIORS IN THE WORKFORCE

- By 2020
  - Nearly 25 percent of seniors will still be working
  - For those under 70, it will be nearly 30 percent
  - One of every five Americans working will be 65 or older
- Seniors have been staying in the workforce in increasing numbers since the mid-1990s
- Few Americans have the resources to support a retirement of 20 to 30 years
REASONS TO CONTINUE WORKING

- Longer life spans
- Attractive incomes
- Access to healthcare
- Desire to stay active and productive
- Desire to continue learning and building skills
- Opportunity to help others
- Sense of meaning and accomplishment
- Serving a social purpose
OPPORTUNITY:
ENCEORE CAREER PROFESSIONALS

- Second careers started at age 50 or later
- More common among the more educated
- Can focus on purpose and meaning versus competing for advancement
- May build on past volunteer experience or a hobby
- May create own encore careers from scratch
OPPORTUNITY:
ENCORE CAREER PROFESSIONALS

- Needs and desires include:
  - Socially beneficial work
  - Focus on value and outcomes, including the client’s quality of life
  - Flexibility, including part-time work and job sharing arrangements
  - Opportunities to learn, grow, and build skills
  - Appreciation of wisdom and experience, including mentoring opportunities
BUSINESS OPPORTUNITY:

HIGH TECH, HIGH TOUCH
NEW GENERATIONS, NEW DEMANDS

- Consumer expectations online:
  - Access to products that meet their unique needs
  - Compare products and services
  - Read product reviews and educate themselves
  - Compare prices
- Consumers reward companies that are open and transparent
  - Put off by those that only want to deliver information through an advisor
SHARED VALUES

- Consumers want companies that share their values, with strong ties to the community
  - Corporations often focus short-term
- Smaller firms can create a virtuous cycle by creating shared value between the firm and the community it serves
  - Helping the community prosper helps the firm prosper, and the link grows stronger
OPPORTUNITY:
EASE OF ACCESS

- Take into account the different ways that consumers want to gather information
  - Most still purchase life insurance and financial products through a F2F meeting
  - Trust is the important differentiator
- Virtual F2F / Telepresence is growing
  - Capturing more nonverbal communication
  - Getting better at building trust
Business Opportunity:

NONPROFIT BUSINESSES
CONSUMER CONCERNS

- Americans are concerned about financial fraud and untrustworthy advice.
- Fraud accounted for 42 percent of consumer complaints to the FTC in 2001 – and more than 55 percent a decade later.
- The elderly and those who are less financially savvy are the most frequent targets for fraud.
CONSUMER CONCERNS

- Americans remember Wall Street’s role in causing the Great Recession, and many do not trust the financial services industry.
- Advisors and firms with a personal interest in financial transactions may be viewed as untrustworthy.
OPPORTUNITY: REPUTABLE RESOURCES

- Providing independent financial education to the public can build credibility.
- Third-party organizations with no vested interest in specific products are viewed as the most credible.
- The more closely firms associate with such groups, the more credibility they gain.
OPPORTUNITY:
REPUTABLE RESOURCES

- Examples of nonprofit partners include:
  - The Financial Security Project
  - The Center for Retirement Research
  - The National Endowment for Financial Education
  - Many community colleges

- Forming a separate educational nonprofit to work with the public can also heighten your firm’s credibility.
“This is a realistic, foreseeable, unfolding future, and opportunities are developing right in front of us. I feel the need to take action or risk falling behind.”
IMPLEMENTING FIRM 2020

- Concern of today and future is not outliving ones money
- It is almost impossible for the average household to save enough money to cover ALL of the risk they will face during retirements that last 20-30 years
- Our answer: Retirement Services Advocate
- Critical Illness specialist-non traditional expertise and products in decumulation phase- “1 in 7 over 70 succumbs to dementia”-Chronic illnesses associated with aging drain savings-
- Critical Illness- catapult into mid-market-small business owners working as technicians
IMPLEMENTING FIRM 2020

- 2 million households - newly married, 30-35 year old college educated professional, buying homes – who are most likely to eventually command investible assets of $2 million or more: How are we capturing opportunity - MEDICAL MARKET

- 58 million households predominately working for smaller businesses: to compete for talent will need cost effective benefits. Financial education programs will be common and essential - access to many markets - CORPORATE EDUCATION DIVISION
IMPLEMENTING FIRM 2020

- Lifestyle Protection Advocate:
  - Professional visitor-networker/rainmaker
  - Encore career “one in four Americans age 44-70 are interested in starting their own business”

- College Recruiting Focus
  - Smaller generation, more competition for talent, harder to recruit later as companies will do more to retain.
  - Need to capture the talent early.
“Call to Action”