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Silver Linings Playbook:

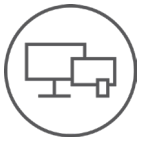
Wealth Management's Response to the Current COVID Crisis

For executives across all industries, 2020 has been the year of leading through chaos. The COVID pandemic, political and economic turmoil and social unrest have presented unique challenges for many wealth firms. As management teams assess the impact, they must strike a delicate balance between maintaining service and operations, embracing digital methods of engagement and ensuring stability and business continuity within this new reality.

Most companies had business continuity plans in place at the pandemic's outset. Still, recent PwC research found many did not fully address the fast-moving and unknown outbreak variables. Contingency plans rarely account for the widespread quarantines, disruptions and added travel restrictions of a health pandemic like COVID-19.[1]

The result was an acceleration of market and competitive trends already in place. When combined with the confidence firms have gained in their remote delivery capabilities, employee success at working from home and the ability to adapt to nimble decision making, the stage is set for permanent changes to firm business models.[2] It's a proverbial silver lining to the severity of the situation, one that could significantly increase efficiency and value proposition of wealth management firms moving forward.

We engaged several executives from major wealth management firms to inquire about priorities in the near future. They identified three critical areas—Technology Tools that Made an Impact, Work from Home vs Return to Work, and Employee Engagement—which we examine below.



TECHNOLOGY TOOLS THAT MADE AN IMPACT

A number of large firms have noticeable increases in the adoption of specific technology solutions during the pandemic. Many focused on campaigns to drive this adoption, while some have seen it occur organically with the need to operate digitally.

For Boston-based Bainco, leveraging remote desktop applications was crucial.

"It's been huge for us, obviously, just having that remote connectivity," Mark O'Keefe, COO and CFO, said. "Certainly, that and Zoom are the two pieces of technology that have allowed us to continue and not skip a beat."

Zoom, he added, allows for face-to-face conversations where clients can see the team's confidence during what O'Keefe calls "these strange and challenging times."

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Cetera CEO Adam Antoniades cited applications that digitize the onboarding process as critical in the current crisis, including universal account-opening with eSignature capabilities and MarketingCentral, an app that drives lead generation and client engagement.

"Video conferencing is something that's been adopted most of all," Antoniades said. "We've negotiated an enterprise-level rate that advisors can leverage individually."

Atlanta-based Advisor Group moved 2,500 employees to a remote work environment almost overnight. Matthew Schlueter, Advisor Group's President, Products and Platforms also credited workflow tools like eSignature as a big part of its success.

"Year to date, we've seen the use of our eSignature platform double," he claimed. "Clients don't want to touch paper since they feel it's a possible source of COVID transmission, so advisors won't route a physical form to clients."

"They need help to remove the fear component from investing in the current environment," Schlueter added. Technology that sends information, checks in with clients, produces a video or uses social media platforms to connect is "as critical as ever." And clients are adapting to the new methods.

Florida-based Dakota Wealth Management made significant technology investments specifically to stay connected with employees and clients, Michael Reed, the firm's Chief Operating Officer and Managing Partner, said.

"It means enhancing remote hardware and constantly asking our staff if they have the best in class tools. We've also spent a great deal of time refining our workflows to ensure our team members handle daily responsibilities in the most uniform and consistent way possible."

Indianapolis-based Sanctuary Wealth CEO Jim Dickson listed "being 100 percent cloud-based and serverless" as a tech priority, and the ability to work anywhere, anytime, anyplace is driving that adoption.

"Anytime you go through something like this, it doesn't necessarily introduce new trends, but rather accelerates existing ones," Dickson explained. "Traditionally, we might have had 20% usage of video conferencing, and probably 40% of a DocuSign-type eSignature product. Now, they are both probably near 100%."

WORK FROM HOME VS. RETURN TO WORK

The "anywhere, anytime, anyplace" concept to which Dickson's refers, reinforces recent research. The Brookings Institution found that about half of all U.S. employees worked from home during the COVID-19 shutdown. A large segment of employers realized telecommuting was effective for their businesses, which could lead to a significant downsizing of the $2.5 trillion office market.[3]

What it means for wealth management is still undecided, but firms appear to be 1) rethinking the pros and cons of working from home, and 2) carefully considering decisions about when and if employees should return to the office.

Pros and Cons of Working Remotely

"Near-term, we don't intend to bring the team back until the end of the year," Antoniades said. "Practically speaking, I would anticipate going from about a 3% level of attendance to around 20% by that time. It will be either because they can't be effective or because their personal conditions are not conducive to working from home."

However, he emphasized "you need touchpoints" to maintain a culture and team bonding, and an entirely remote workforce for Cetera is unlikely.

O'Keefe agreed, "I never used to believe in work from home but post-pandemic experience has changed my perspective, I have seen it work really well with increased productivity and benefits." He is supportive of it continuing in a balanced model.

He pointed to his personal experience as an example, in which he works more hours each day but has more energy due to the absence of a long commute. However, he warned of a "flip side" in which essential elements are missed, like sitting face-to-face with coworkers to foster and maintain a team environment, something difficult to replicate in a virtual environment.

"Initially, many companies—ours included—were suspicious of what employees were doing when the boss is not walking the halls," Schlueter added. "When our employees went remote, we had trade volumes that were 10 times normal and account openings that were twice as much for an average month. We had the right tools in place, people adapted and they were as productive at home as they were in the office."

Decisions about Returning to an Office

Decisions about returning to a physical work environment are complex.

Cetera will reevaluate before the New Year, but it will likely take the employee experience into account, Antoniades said, resulting in something resembling more of "a Google or Amazon [workplace] than an old-school financial services company."

"So, imagine a 50-percent less footprint in terms of square footage, and lots of hybrid models," he predicted. "You're going be in the office two days a week and the other three you can work from home."

O'Keefe said staffing decisions in unprecedented times require a more "diverse decision-making process," which involves three key elements—education, balance and compassion.

"The first is educating ourselves on doing the best things we can," he explained. "The second is listening and following government mandates when balancing our needs with those of our employees and clients. The third is compassion for the unique and difficult situations in which our clients and employees might find themselves."

Bainco has not required employees to return, yet some have chosen to do so, and strict guidelines were implemented as a result. They include:

- Limits on the number of employees in the office at one time
- No gathering in the lobby
- Limits on how many people in the elevator
- Requirements to wear masks in all common areas
- Bathrooms redesigned and relabeled to ensure the use of certain sinks
- Paying for employee parking to eliminate exposure to public transportation

"I honestly don't think we can ever return to exactly where we've been," he responded when asked if the changes were permanent. "The quick answer is, I don't know right now, but I don't think anything will look like it used to."

EMPLOYEE ENGAGEMENT

All three firms are keenly attuned to the emotional impact on their clients and employees. Personality, age, life circumstance and job function are all factors in how well individuals adapt.

"Anytime you can meet employees where they are, it's a good thing," says Antoniades, "but there are certain natural benefits of the old business model that are very protective of the work/life balance. Zoom has replaced the in-person meeting, which stopped at 4:00 pm. But virtual meetings are going until 8:00 or 9:00 at night, leading to fatigue, and we see it with our people."

Antoniades called it a modern world challenge that requires a modern world solution.

"It involves basic discipline. We have two afternoons that are Zoom-free and no meetings are allowed after 2:30 pm. Without it, there are no boundaries."

Sudden employee mood or productivity changes are something to which O'Keefe is particularly sensitive.

"Overseeing human resources is one of my responsibilities," he said. "Frequent Zoom calls with everyone are good. That face-to-face interaction helps, but I think how people react is different for folks at the end of the day."

Younger employees are "cooped up" and therefore struggling. They want to get back to work, go out on weekends and spend time with friends. Older employees with families are at different stages of their lives and comfortable with a more balanced home environment.

"I believe that the pandemic has strengthened the bond between the financial professional and the investor," Ed Obuchowski, Advisor Group's Chief Technology Officer, added. "I know I've personally relied on my financial professional more than I probably ever have, because I have more questions than answers."

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Employees are also creative in reducing stress and isolation by hosting virtual happy hours and similar events.

"Using all the tools we have in our arsenal is critical to maintaining a culture that involves collaboration, caring and support," Obuchowski concluded.

An unprecedented global pandemic has presented wealth management firms with unique challenges never seen before. The efficient execution of their service model—while monitoring their employees' and clients' physical and mental health—has been largely solved by implementing and using remote workflow and communication technology.

While specific benefits that develop from in-person interaction at physical locations are missed, the effects are mitigated through strict discipline, defined work hours and frequent "check-ins" between staff and management. As a result, wealth management firms are maintaining—and even increasing—efficiency, leading to a silver lining in an otherwise difficult time.

[1] "How COVID-19 is affecting the asset and wealth management industry." pwc.com. June 15, 2020

[2] "Wealth management response to COVID-19: How wealth managers can recover and thrive." deloitte.com. 2020

[3] "Will the remote work craze sparked by COVID-19 sound a death knell for office buildings?" usatoday.com. July 13, 2020

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