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76% of respondents would be interested in using an app that provided comprehensive and personalized financial advice to help them manage their debt and achieve their goals.

The Case for Automated Advice

A study conducted by iQuantifi in the Spring of 2015 indicated that over 70% of millennials have clearly defined financial goals, but only 20% have a plan to achieve those goals. More interesting is that less than 30% have ever worked with a professional financial advisor. In fact, family (71%) is the most common financial advice resource for an overwhelming majority of millennials. They are not seeking traditional advice, and their lack of a plan creates a tremendous opportunity for financial institutions.

Since the 2008 financial crisis, a great amount of energy has been focused on laws to regulate and protect consumers. Many banks and credit unions have focused their efforts on education and helping their customers understand basic finance, but it's not enough. Laws and regulations only complicate things and education addresses generalities -- not the specific circumstances of an individual family.

When most executives at traditional financial institutions think of "financial advice," they put it in one of two categories: wealth building or budget management.

The traditional financial advice industry has largely ignored a majority of US households because of their lack of investable assets. It's simply not profitable for a financial advisor to offer guidance to someone without significant assets to manage. The traditional model was not built to serve the masses. While less affluent consumers can opt to pay a planning fee, many will find the fee to be too expensive for them to cover. Thus, they are left to navigate their financial life on their own.

When most executives at traditional financial institutions think of "financial advice," they put it in one of two categories: wealth building or budget management. While this segmentation makes sense on the surface because less affluent individuals don't

currently have the income or assets to build wealth, it ignores the basic advice these individuals and families need to get beyond their budget and actually achieve their goals. Regardless of wealth, people need advice along with the appropriate financial products to foster goal achievement.

To understand how millions of Americans are not receiving basic advice, consider these sobering stats:

- \$24 billion in company matches are left behind annually.¹
- 43% of millennials have borrowed from a payday lender in the past 5 years.²
- 45% of American families saving for college are using a standard savings account, not a 529 plan.³
- Barely one out of two Americans knows that a single stock is not safer than a mutual fund.⁴

The above stats illustrate the advice gap that currently resides in America. It is knowledge of the basic principles, products and actions the average American must know and take to achieve their financial goals. It's the difference between success and failure when it comes to managing one's finances. It's the difference between peace of mind and distress in the average American household.

The Opportunity

According to US census data, eighty-seven percent (87%) of millennials have investable assets under \$100,000. There are roughly 100 million households in the US with less than \$100,000 in investable assets. At minimum, eighty-one percent (81%) of households

1. <http://www.usatoday.com/story/money/personalfinance/2015/05/16/cnbc-employer-matches/27333721/>

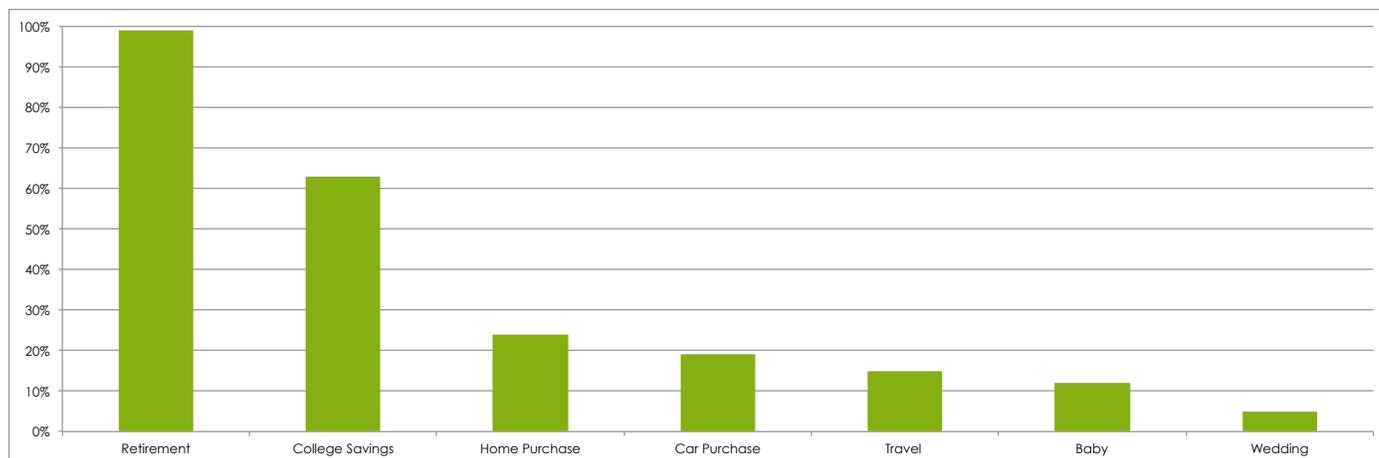
2. <http://time.com/20530/millennials-are-about-to-change-everything-you-know-about-money-irl/>

3. <http://www.debtfreeguys.com/debt-free-guys-blog/2014/4/20/clans-crushed-by-college-costs>

4. <http://money.usnews.com/money/blogs/planning-to-retire/2015/02/13/3-questions-that-predict-your-financial-future>

Top Goals Per Household

Average of 5.3 goals per household



Source: iQuantifi end user system data.

don't qualify or cannot afford to work with a traditional advisor, but they need advice. The 76 million millennials that don't meet the typical advisory threshold⁵ are just beginning their financial life and are very comfortable with technology.

By offering automated advice, an institution is able to service a tremendous need and help millions of Americans stabilize their financial life and purchase the most appropriate financial products.

Millennials have goals that include retirement, college savings, home purchase, and much more. The average user in iQuantifi's goal-based, robo planner has 5.2 goals. Based on their profile and goals, the average user will need to purchase at least five additional products to protect their family and achieve their goals. There are over 15 different types of products an automated system could recommend.

Those products would include:

- Insurance (life, disability, long term care)
- Loans (home, auto, heloc)
- Cash Accounts (money market, savings)
- Investment accounts (IRA, Brokerage, 529)
- Investments (stocks, ETFs, mutual funds, index funds, annuities, etc.).

While the margins per product vary greatly in the financial services industry (e.g.: mortgage vs. money market account), the revenue opportunity that exists is tremendous. Let's look at mortgages: Sixteen percent (16%) of millennials plan to buy a house in 2015.⁶ That's 13.2 million people that will be looking for a mortgage this year. The average institutional profit from generating mortgage loans in Q1 of 2015 was \$1,447.⁷ That's \$19.1 billion in first year mortgage profit that could be identified and captured by an automated advice system. Connect the mortgage opportunity with other high margin products like insurance and investments the millennial

5. <https://www.census.gov/newsroom/press-releases/2015/cb15-113.html>

6. <http://iquantifi.com/millennials-have-goals-but-lack-comprehensive-financial-plan/>

7. <https://www.mba.org/2015-press-releases/june/independent-mortgage-banks-profits-up-in-1st-quarter-2015>

market needs and one will quickly see the opportunity is massive.

New revenue will garner the attention of almost any financial executive, but the opportunity is not just cross-selling revenue. Automated advice creates cost savings, stimulates prospect and customer engagement and strengthens the customer's relationship with the brand. Every customer, regardless of net worth, has access to a plan and the products of the institution that can help them.

Contrary to what many believe, human advisors are part of the automated advice equation. By deploying an automated solution, institutions are not replacing human capital. They are creating a digital solution with a true omnichannel experience that leverages human assets within the organization. It creates synergy within the institution between the advisory side and the product side of the institution and promotes consistent and quality advice across the institution. Most importantly, the labor-intensive tasks of data entry and getting to

know the customer are eliminated and the advisor can focus on closing product leads generated by the system.

The proper solution engages and educates customers, provides instant, comprehensive advice and answers specific financial questions. When a customer has a more complicated situation or would like to talk with someone, an advisor is standing by with the customer's profile and plan ready to assist. The right automated solution saves the traditional advisor a tremendous amount of time in getting to know customers and their needs.

Branch visits are down in a digital world and it is becoming increasingly more difficult for traditional institutions to forge customer relationships. Site shopping with little or no human interaction has become the norm online and institutions must change the dynamic and engage site visitors to stay competitive in today's market. Automated advice allows the institution's relationship with the customer to thrive in a digital world.



Automated Advice Benefits

1. Provides scalable advice to millions of less affluent customers who are seeking help and need products.
2. Strengthens customer relationships through more relevant communications
3. Stickier service offering
4. Reduce customer turnover
5. Enables users to self-service and consume products most relevant to them
6. Drives more revenue per customer through the tremendous lead time the institution has on the need
7. Immediately engages site visitors looking for help.

A recent study by Bain Consulting stated that reducing customer turnover by 5% can increase bank net profits as much as 80%.⁸

Imagine knowing every customer's goals and the most appropriate products for them to achieve those goals. Imagine providing communications armed with this information and supplying relevant content to each customer. The institution knows the customer has a goal to purchase a house in April and begins an education campaign on "things to know" when purchasing a house. The line of sight that a goal-based, automated advice solution provides enables the bank to strengthen their customer relationship through communication of extremely relevant and personal content. The power of knowing and helping through advice and relevant content will strengthen the customer relationship and reduce turnover.

An automated advice solution allows institutions to more deeply integrate their products into their customers' lives. Most goals require products. The right system makes appropriate product recommendations based on the goals, time horizon and profile

of the user and can streamline the sales process and increase distribution. Through technology, institutions now have the ability to create a connection and become a trusted companion to all of their customers. The next wave of complex algorithms provides a way for the customer to examine various financial scenarios on their time. Nothing will engage a customer, strengthen a relationship and reduce turnover like answering a customer's most burdensome financial questions and providing a roadmap to their financial life. Providing that roadmap could solidify a 30 or 40 year relationship with a customer.

Disruption is blooming in the financial services industry and many of the new, cutting edge financial services like Lending Club, Wealthfront and Moven are focused on disrupting your customer relationship. It's time to help all of your customers achieve their goals. Automated advice enables financial institutions to differentiate, defend and grow their business while setting the table for success with the largest generation in the workforce. It's time to help your customers before someone else does.

8. <http://thefinancialbrand.com/53874/customer-loyalty-key-to-bank-profitability/>



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