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WEALTH PLATFORM



# The 2023 WealthStack Study

How Technology  
is Driving the  
Growth of Wealth  
Management Firms



Produced by:



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# Introduction and Highlights

To better understand wealth managers' views on technology and how those views change over time, WealthManagement.com last year inaugurated a survey of advisors, c-suite executives and others across the industry. The survey was intended to set a benchmark for ongoing research. The results of the initial WealthStack survey demonstrated that wealth managers were entering 2023 with a sharp focus on how they would leverage technology to better serve their customers. They were looking for solutions that would help them build and strengthen relationships, while also making their firms as efficient and effective as possible.

The results of last year's survey indicated that firms generally describe their approach to technology in one of three ways. One group consisted of firms that invest in technology to differentiate themselves in the market and provide the best possible customer experience. That group was labeled "Innovators." A second group invests in technology largely to improve operations and increase internal efficiency. Those are the "Operators." Finally, there were firms that said they did not prioritize technology or leverage it effectively. That group was labeled "Laggards."

The results of last year's survey indicated that firms generally describe their approach to technology in one of three ways



## Innovators

One group consisted of firms that invest in technology to differentiate themselves in the market and provide the best possible customer experience.



## Operators

A second group invests in technology largely to improve operations and increase internal efficiency.



## Laggards

Finally, there were firms that said they did not prioritize technology or leverage it effectively.



Using the same questions as in 2022, this year's survey again asked firms for a self-description. This enabled the results of questions about technology usage, budgets, personnel, return on investment, and future plans to be presented for each self-defined group, enabling firms in each group to compare themselves to other groups as well as to all advisors in a way indicating trends or patterns.

**Among the highlights of this year's research were the following:**



When asked about their primary reasons for investing in technology, "improving overall efficiency and productivity" remained the top choice, but three responses grew significantly more popular:

- to make more informed business decisions
- to acquire new clients in new markets
- to acquire new clients in current markets



More than nine in ten respondents (91%) plan to adopt new technology in the next year, most commonly client attraction and retention solutions.



Sixty-eight percent of respondents report their firms' technology budgets will increase in 2024.

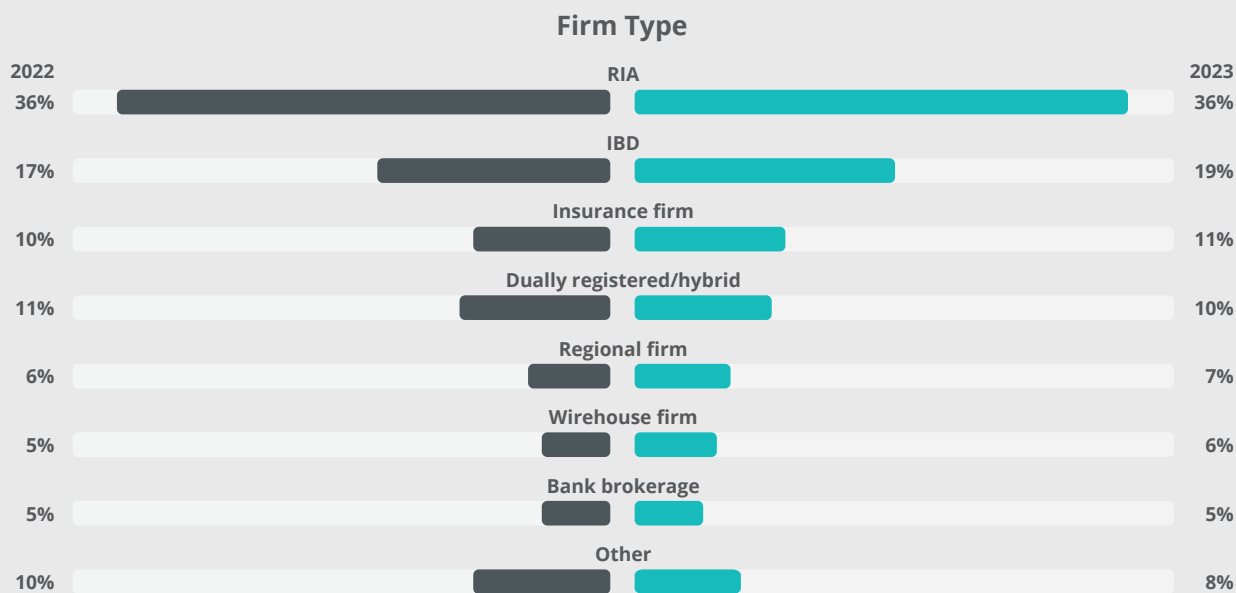


Firms remain less than wowed by the return on investment offered by their existing tech stack, with more than half (56%) saying they are only somewhat satisfied. At the same time, 63% of Innovators say they are very satisfied, significantly higher than the 51% of Innovators who expressed that level of satisfaction last year.



Artificial intelligence (AI) will have the biggest impact on the wealth management industry in the next five years, according to 82% of respondents.

**Respondents at a Glance**

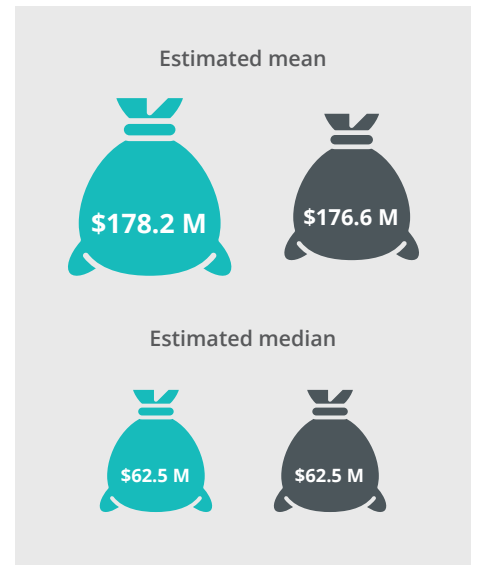
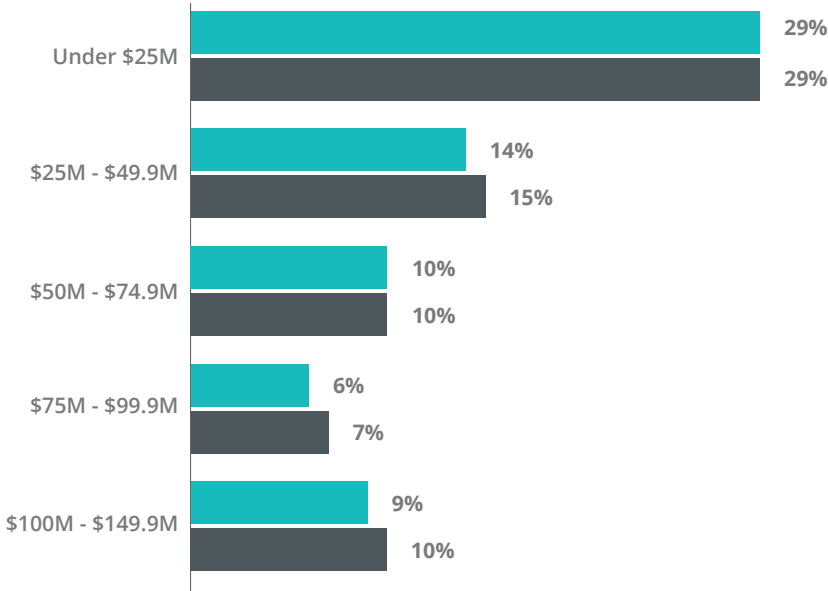


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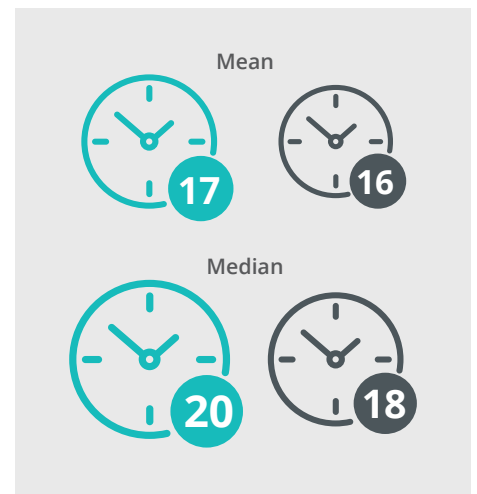
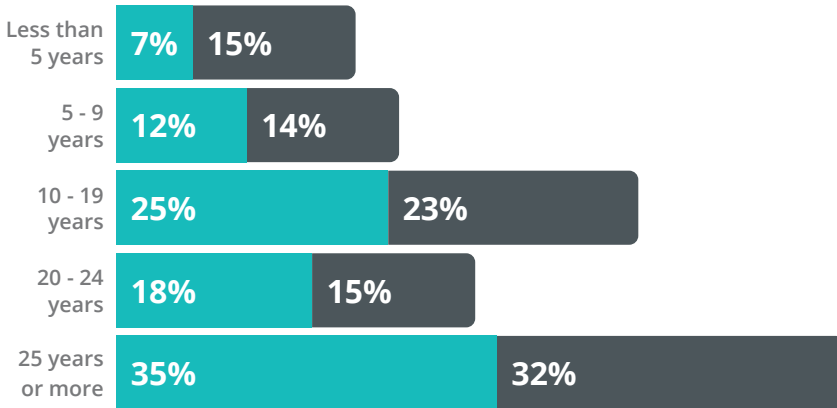


# Respondents at a Glance

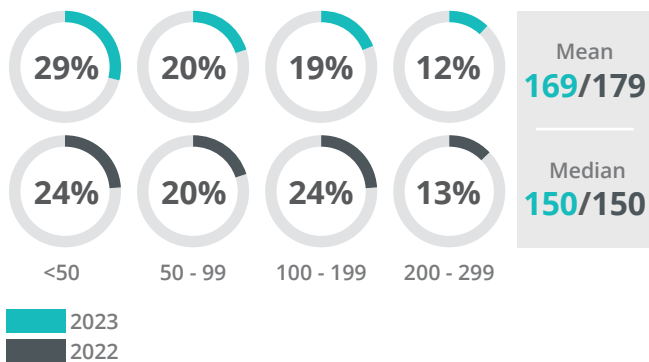
## Total Assets Personally Managed



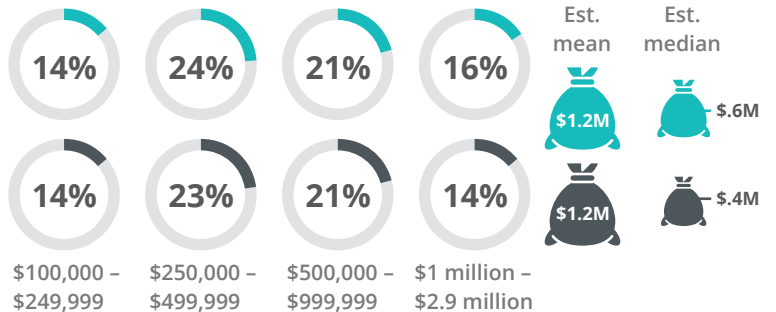
## Length of Tenure as a Financial Advisor



## Number of Clients

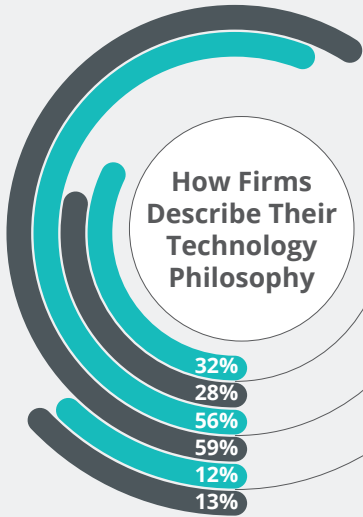


## Average Account Size



# Philosophy, Goals and Objectives

As in the first WealthStack survey last year, respondents were again asked to identify their firm's philosophy or approach to technology. This year, slightly more respondents described themselves as Innovators while slightly fewer indicated that they considered themselves Operators.



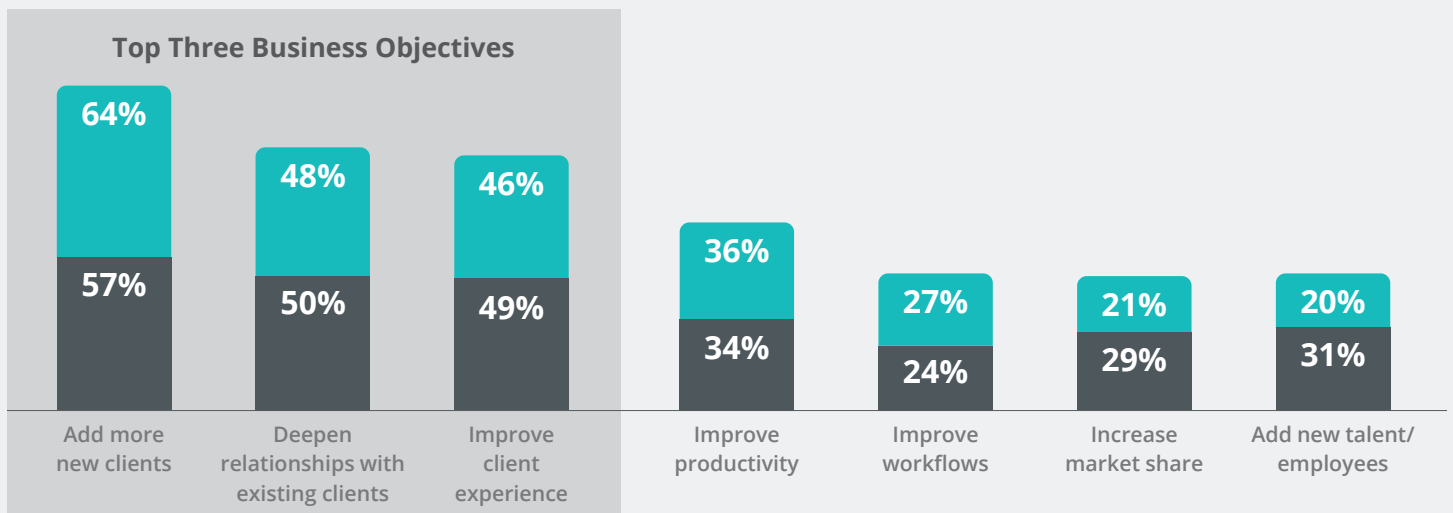
**Innovator:** We invest in technology to differentiate our firm and provide the best possible client experience

**Operator:** We invest in technology largely to improve our operations and internal efficiency

**Laggard:** My firm does not prioritize technology, or leverage it effectively



Among respondents as a whole, the top three business objectives for the coming year remained consistent: adding more clients, deepening relationships with existing clients, and improving the client experience. Improving productivity was in fourth place and improving workflows completed the five leading objectives. Innovators, Operators and Laggards expressed similar views regarding their objectives with the biggest differences being among Innovators, 61% of whom want to add more new clients this year as compared with 52% who wished to do so last year, and among Laggards, where 67% want to add new clients versus 49% a year ago.



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Regardless of technology philosophy, firms' top consideration when evaluating their business technology needs is improving the overall client experience followed by improving productivity, increasing profitability and improving client communication. The ranking of these considerations is unchanged from last year.

Similarly, the top three objectives for investing in technology remained consistent with last year: improving overall efficiency and productivity, deepening relationships and improving communications with existing clients, and providing services that are aligned with the evolving needs of existing clients. More respondents, however, did give added weight to their fourth, fifth and sixth objectives for investing in technology: acquiring new clients in current markets (48% vs. 41%), to make more informed business decisions (39%/28%), and to acquire new clients in new markets (39%/30%).

By category, Innovators felt more strongly this year than they did last year about trying to improve overall efficiency (78% vs. 69%), as did Operators (73% vs. 68%). Laggards felt slightly less strongly about the issue (59% vs. 63%).

### Top three objectives for investing in technology



Improving overall efficiency and productivity



Deepening relationships and improving communications with existing clients



Providing services that are aligned with the evolving needs of existing clients

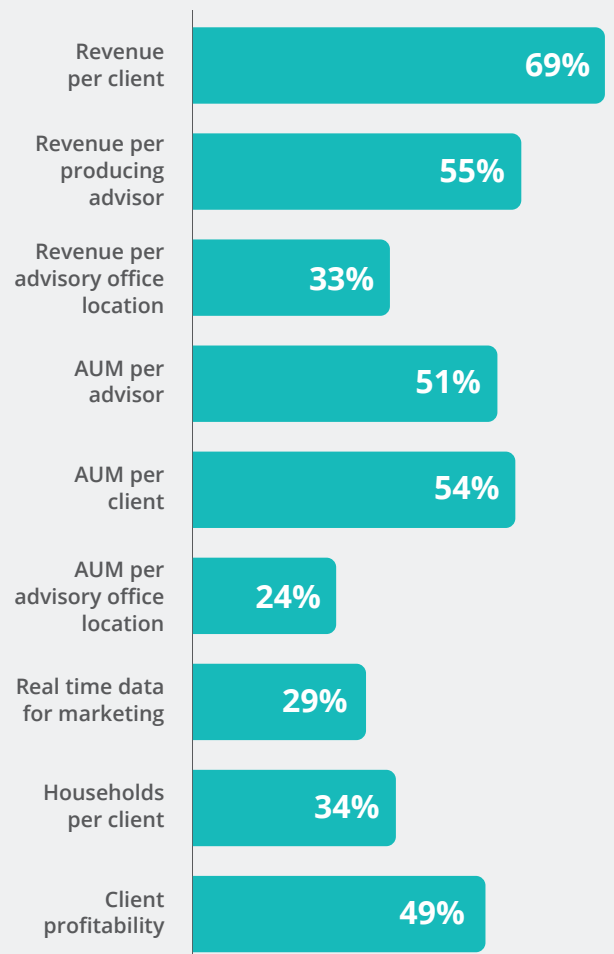
# Using Technology

When asked about the business areas their technology supports, respondents remain most likely to use technology tools to support portfolio management, cited by 75% of respondents (versus 73% a year ago), financial planning (73%/77%) and compliance (57%/58%). This year, additional business areas of possible tech support were added and respondents indicated using tech tools to support marketing (52%), tax planning (35%) and estate planning (31%). Results from Innovators and Operators were in line with the overall pattern but Laggards' most-often cited area of tech support is compliance (59%), followed by financial planning and portfolio management, each cited by 55% of respondents.

Respondent perception of their firms' overall use of technology has improved over time. In 2023, 54% graded their firms an "A" or "B", compared to just 44% in 2022. They also rate technology as somewhat more important in their firms' ability to grow over the next five years — with 80% indicating technology being "critical" or "very important" as an enabler of growth — than did respondents in the 2022 study (74%).

Business intelligence software is being used by more than a third of respondents (39%), similar to last year's usage response (34%). The most useful metrics obtained from business intelligence software include revenue per client, revenue per producing advisor, AUM per client, AUM per advisor, and client profitability.

## Most useful metrics obtained from business intelligence software



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# Managing Technology

Managing technology-related issues in a wealth management firm can be challenging. This year, the greatest challenge cited by respondents is keeping on top of tech changes and managing the tech stack. That choice, mentioned as either extremely, very or somewhat challenging by 75% of respondents, was offered for the first time in this year's survey. Second most important (73%) was integrating the components of the tech stack, which was virtually identical to last year's 74% response.

Following closely behind as challenges were lack of tech staff (65%), deployment cost (67%) and insufficient return on investment from available offerings (66%).

Overall, Innovators found managing the many tech challenges they cited much less of an issue than they did last years. They also found them to be less problematic than did Operators, who found the challenges to be similar in degree to last year.



75%

Keeping on top of tech changes and managing the tech stack



73%

Integrating the components of the tech stack



67%

Deployment cost



66%

Insufficient return on investment from available offerings



65%

Lack of tech staff



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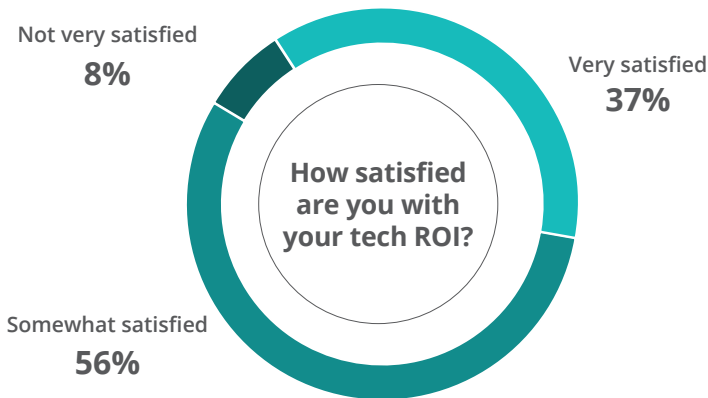


# Delivering Value

Some technology solutions deliver more bang for the buck than others. The technology solutions believed to deliver the best return on investment (ROI) remained the same over time: financial planning, portfolio management, customer relationship management (CRM), and client communication tools.

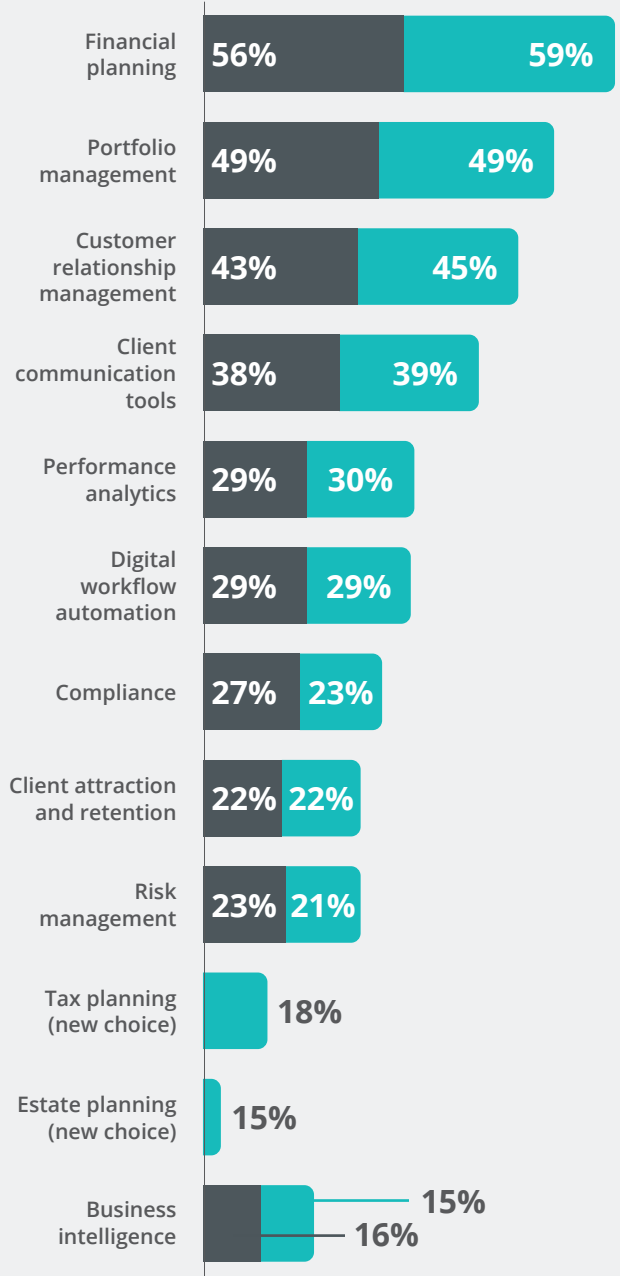
Innovators		Operators		Laggards	
<b>2023</b>					
Financial planning	66%	Financial planning	61%	Compliance	40%
Portfolio management	55%	Portfolio management	50%	Financial planning	36%
Customer relationship management	53%	Customer relationship management	43%	Cust. relat. management	33%
<b>2022</b>					
Financial planning	53%	Financial planning	54%	Financial planning	48%
Portfolio management	48%	Customer relationship management	50%	Client comm. tools	34%
Customer relationship management	47%	Portfolio management	49%	Portfolio management	34%

Respondent satisfaction with the overall ROI from their current tech stack has remained stable over time, with approximately a third “very satisfied” and most “somewhat satisfied.” By firm category, however, advisor satisfaction with tech ROI varies significantly.



Very satisfied		
Innovators	63%	Operators 38%
Innovators	51%	Operators 27% Laggards 18%

## Technology solutions offering the best ROI



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# Looking Ahead

Nearly all respondents (91%) plan to adopt new technology in the next year, most commonly solutions that will help with client attraction and retention, cited by 36% of respondents.

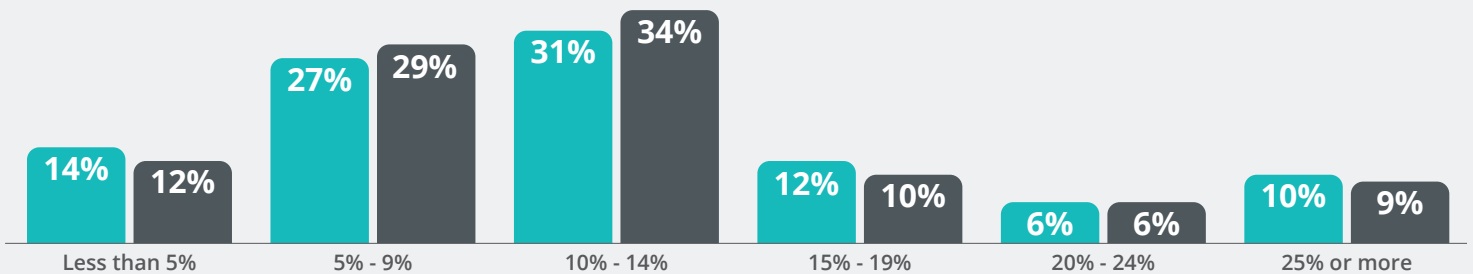
The second most cited solution likely to be added addresses cybersecurity. This was a new choice in 2023 and one cited by 32% of respondents. Other leading solutions being considered are digital workflow automation (32%), portfolio management (31%), performance analytics (28%), and client communications tools (26%). Rounding out the list were compliance (21%), financial planning (21%) and risk management (18%).

Among Innovators and Operators the top four solutions likely to be added mirrored the overall results. Similarly, little difference emerged among firm types when asked about the percentage of firm revenue that will be spent on technology in 2023.



## Percent of Revenue Firm Will Spend on Technology in 2022

	2023	2022
Innovators	14%	12%
Operators	10%	11%
Laggards	9%	10%



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Responding in almost the exact proportions as they did in the previous survey when asked to look ahead, most survey respondents (52%) indicated that their firm's tech spending would increase slightly in 2024. Another 26% said spending would remain the same while 16% said it would increase substantially. The small remainder said that spending would decline.

Among Innovators, the net percentage planning to increase spending was 77%, versus 74% a year ago. A net of 64% of Operators plan to increase spending in 2024 as compared with 71% who planned to increase spending in 2023. The planned net increase in tech spending among Laggards was virtually identical (64% vs. 63%).

Relatively unchanged in the current survey is the number of current and planned dedicated tech support staff. Just under a third of respondents (29% this year vs. 39% a year ago) employ full-time in-house tech staff. Another 8%, versus 6% a year ago, plan to employ full-time in-house tech staff. As last year, 15% employ a third-party full-time tech staff person and 4% plan to do so, versus 6% with that plan last year. Six percent of firms employ part-time in-house tech staff while 2% plan to add such a person. Eleven percent employ part-time third-party tech staff and 6% plan to add an outside part-timer.

Most respondents (61%) expect their tech support staff headcount to remain the same in 2024, while 22% plan to increase headcount in the coming year; 15% are unsure of their plans.

Innovators remain more likely to increase tech headcount than others; a quarter plan to add tech staff while only 20% of Operators and Laggards plan to make additions.

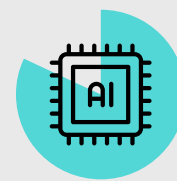
Over the next five years, 82% of respondents say that artificial intelligence (AI) will be the technology trend with the biggest impact on the wealth management industry, while 31% say it will be embedded finance applications and 23% say it will be the blockchain.



**52%**  
of respondents indicated that their firm's tech spending would increase



**61%**  
of respondents expect their tech support staff remain the same in 2024



**82%**  
of respondents say that AI will be the technology trend



# Lessons of the Innovators

Managing technology at a wealth management firm can be challenging as needs and tools seem to constantly change. The one-third of firms that invest in technology to differentiate themselves and provide the best possible client experience seem to have found ways to maximize the benefits of technology. For the remaining two-thirds of firms, there lessons to be learned from those we have labeled Innovators:



## **Technology requires a commitment of resources.**

Innovators tend to invest more in technology on an on-going basis than other firms. They also invest in people who understand technology and can support firmwide efforts.



## **Technology requires a commitment to improving processes.**

Technology can greatly enhance efficiency by reducing costs, time, and errors in firm operations. But that can only happen if all firm members are willing to take a new look at how the work of a firm gets done and then be willing to do that work in a new way.



## **Technology requires becoming comfortable with the unfamiliar.**

Whether it's getting a handle on a breakthrough such as generative artificial intelligence or trying to understand a different social media platform, tackling new technology often seem peculiar at first and sometimes even irrelevant to wealth management. But having a mindset open to understanding and perhaps adopting new technologies can help make a wealth management firm a leader rather than a left-behind.



## **Technology dares you to be different.**

If there's one failing among wealth management firms it is that so many are indistinguishable from each other. Through its support of marketing, customer service and investment functions, to name just a few, technology enables a firm to create a unique offering across any one of several dimensions. Whatever specialty niche a firm wishes to occupy, technology can help wealth managers dominate that niche and build a growing business no longer bound by geography or traditional media cost constraints.

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# Research Methodology

Methodology, data collection and analysis by WealthManagement.com. Methodology conforms to accepted marketing research methods, practices and procedures.

Beginning August 10, 2023, WealthManagement.com emailed invitations to participate in an online survey to active users. By September 5, 2023, WealthManagement.com had received 371 completed responses. Comparative data was collected October 21, through November 1, 2022, yielding 409 completed responses.

To encourage prompt response and increase the response rate overall, email invitations and survey materials were branded with the WealthManagement.com name and logo to capitalize on user affinity for this valued brand.

The first 200 respondents were afforded the opportunity to receive a \$10 Starbucks gift card as a token of appreciation for their participation in the survey.



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# About WealthStack's Sponsors

## About SS&C Black Diamond Company

The SS&C Black Diamond® Wealth Platform is an award-winning, cloud-native solution from SS&C Advent. Designed to meet the complex business needs of wealth management professionals and their clients. Complete with performance reporting, portfolio rebalancing, an immersive client portal, and more, the platform also connects to a vast ecosystem of smart integrations. Proactive, personalized attention from a dedicated service team ensures advisors receive access to an elite combination of technology and service.

Firms of all sizes and structures leverage Black Diamond's flexibility and infrastructure to streamline operations, deliver business insights, and connect with both prospects and clients to build long-lasting relationships.



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Wealth Management IQ is a dedicated division of Informa Connect that provides research, content creation and marketing services to the wealth and asset management communities. WMIQ offers a unique combination of:

- Deep research and analytical capabilities
- Extensive knowledge of the financial advice industry
- Content strategy and direct distribution to over 400,000 wealth management professionals

The mission of WMIQ is to educate and inform financial advisors through our research content and to provide unparalleled access, intelligence and understanding of the wealth management market to the companies that support and empower advisors.

Through the audiences of WealthManagement.com, Trust & Estates and WMRE, which covers commercial real estate, WMIQ has the ability to tap into some of the most influential communities of financial advisors to conduct targeted surveys, focus groups and one-on-one interviews to inform our research projects. Our audiences of RIAs, IBDs and wirehouse advisors—and their affinity for our brands—position WMIQ to access more engaged advisors than any other industry research provider. This reach across the entire wealth management ecosystem is a unique differentiator of WMIQ and allows us to discover the true drivers of change, behaviors and influence throughout the industry.

If you would like to partner with WMIQ, please contact:

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