

A TACTICAL FRAMEWORK: INTEGRATING THE ONLINE CHANNEL INTO YOUR WEALTH MANAGEMENT STRATEGY

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PRESENTERS



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SCIVANTAGE OVERVIEW

- Independent financial technology provider with proven expertise in online brokerage, tax and portfolio reporting, and wealth management applications
- Clients (broker-dealers, mutual funds, custodians and prime brokers)
 - 12 of the top 24 Online Brokerage Firms
 - 2 of the top 3 Independent Brokerage Firms
 - 6 of the top 8 Full Service Brokerage Firms
 - 3 of the top 7 US Banks
 - #2 Asset Management firm in the world
 - 3 of the industry's top 9 Prime Brokerages
- Powers two primary investment channels:
 1. Online trading and customer service brokerage portals for Investors
 2. Integrated wealth management workstations for advisors and operations

ABOUT TODAY'S WEBINAR

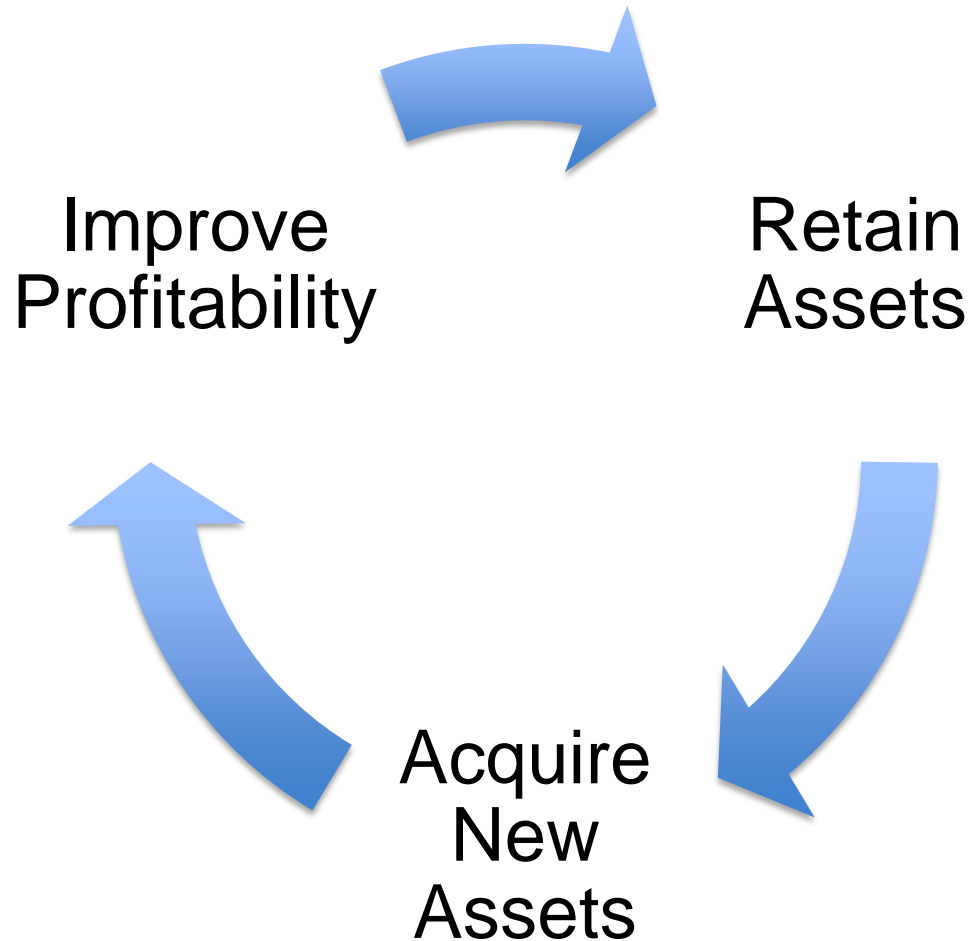
- Based on a study commissioned by Scivantage and authored by Aite Group and Riperian
- Focus on defining the blueprint for delivering an online brokerage offering.
 - Aite Group has focused on uncovering the value of the Online Channel to Investors and Advisors
 - Riperian has created a blueprint for execution
- Stated Objectives
 - Why are self-directed businesses and channels important to your growth?
 - What impacts can we expect on Advisors?
 - What are Investors looking for?
 - How can we determine which strategies are right ones for our firms?

AGENDA

- Objective:
 - Understand why an online channel is key to the success of your Wealth Management strategy
- Key Questions:
 - Why is Online Brokerage so important?
 - Who uses Online Brokerage sites and how?
 - What capabilities should be included in your platform?
 - How to build out a platform?
 - What is the Investment and ROI?
- Conclusions and Recommendations

THE VALUE OF THE ONLINE CHANNEL

DEFINING STRATEGIC OBJECTIVES



CURRENT LANDSCAPE

- Changing Client Behavior & Expectations
 - Service “When & Where I Want It”
 - Varied Behavior Across Demographics
- Highly Competitive Marketplace
 - Evolving “Pure-Play” Online Brokerage
 - National Banks – Heavily Invested in Online Channel
- Evolving Business Models for Financial Institutions
 - Cross Functional Harmony
 - Improve/Unify Customer Experience

OPPORTUNITY EXISTS

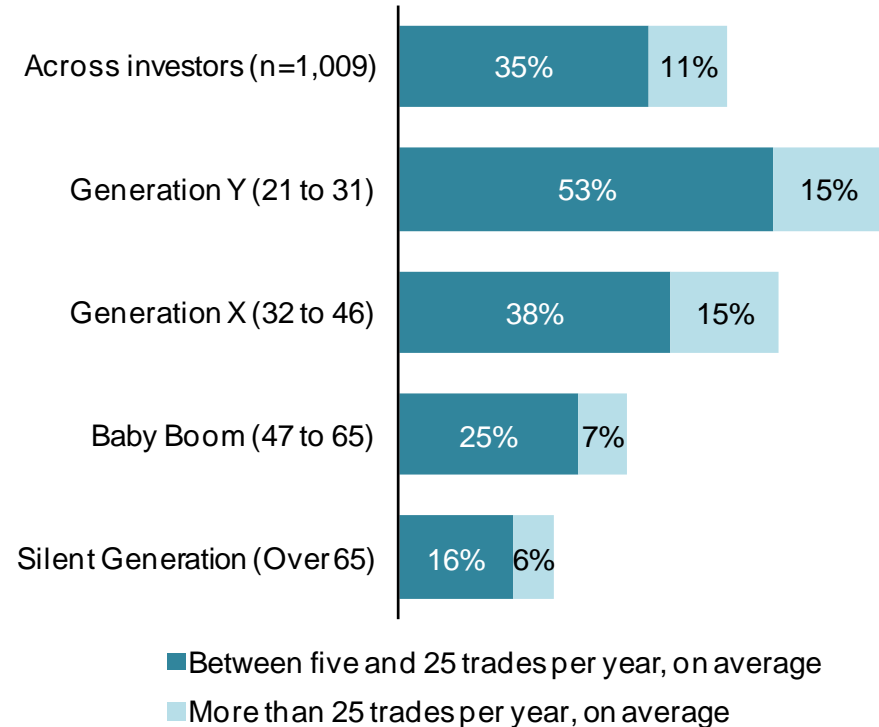
- Leverage Core Capabilities
 - Simplify the Wealth Management Cross-Sell
- Investors will always need Advice
 - Volatile Market Conditions
 - Long-Term Planning
- Entice Self-Directed Investors
 - It's not an 'all or nothing decision' for Investors
 - Investing "When & Where I Want It"
- Attract Advisors

Extend Your Wealth Management Business with Online Brokerage

Online Trading is Mainstream

Investors who trade 5+ times per year...

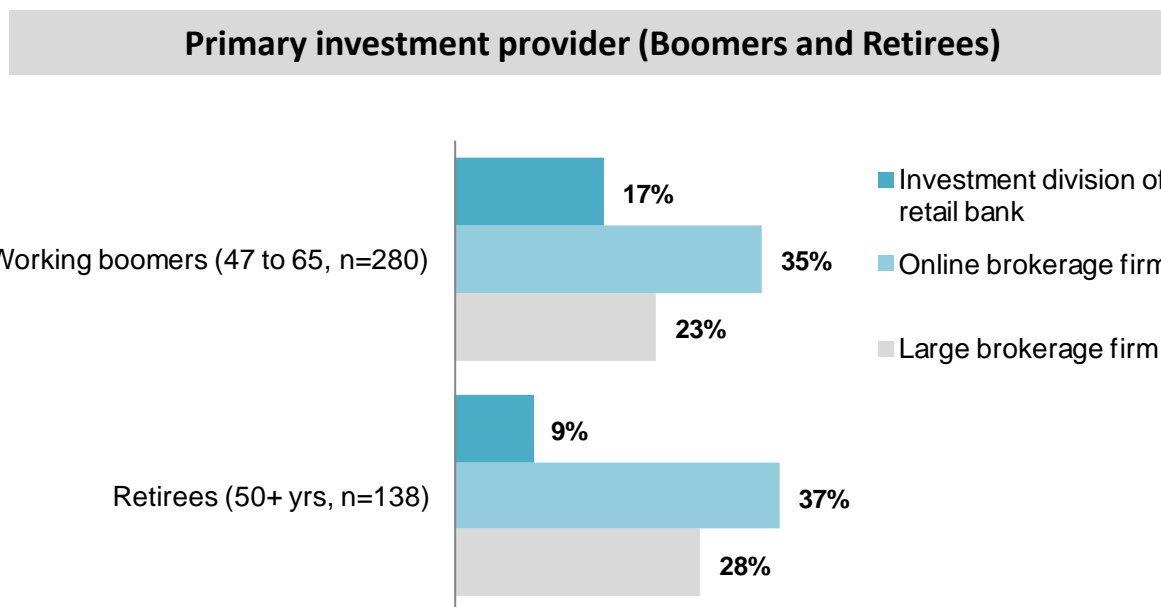
- **Almost 50%** of a sample of U.S. investors **trade online at least five times** per year*
- Close to **70% of generation Y** investors and over half of generation X investors indicate that they **trade online at least five times** per year



*Source: Aite Group survey of 1,014 U.S. investors, December 2011 with at least US\$25,000 in investable assets with some assets held an institution that offers online trading.

Online Brokers are Retaining / Capturing Boomer and Retiree Assets

- Banks must better compete with online brokerage firms to retain and grow assets with existing baby boomer clients
- Retirees are consolidating assets with online brokers or large brokerage firms



**Source: Aite Group survey of 1,014 U.S. investors, December 2011 with at least US\$25,000 in investable assets with some assets held at an institution that offers online trading.*

Schwab's Core Client is the Boomer who Seeks to be In Control

Our strategy targets a **\$2 Trillion segment** of the Affluent market.

Recall Tobin



- 55 years old
- Income: \$425 K
- Assets: \$1.8 M
- Married, 29 years
- Children, 3 daughters
- Property Development
- Town Council Seat
- Currently at an FCB

Tobin's Mindset

- Financial life is an ongoing journey
- Engagement in life and investing
- Optimism & accountability
- Humble prosperity

Tobin's Changing Investing Outlook

I dislike being managed, I want more choices and control

I want a more proactive broker, who I know is on my side

*I always ask :
'Can I be doing better?'
'Am I getting enough value?'*

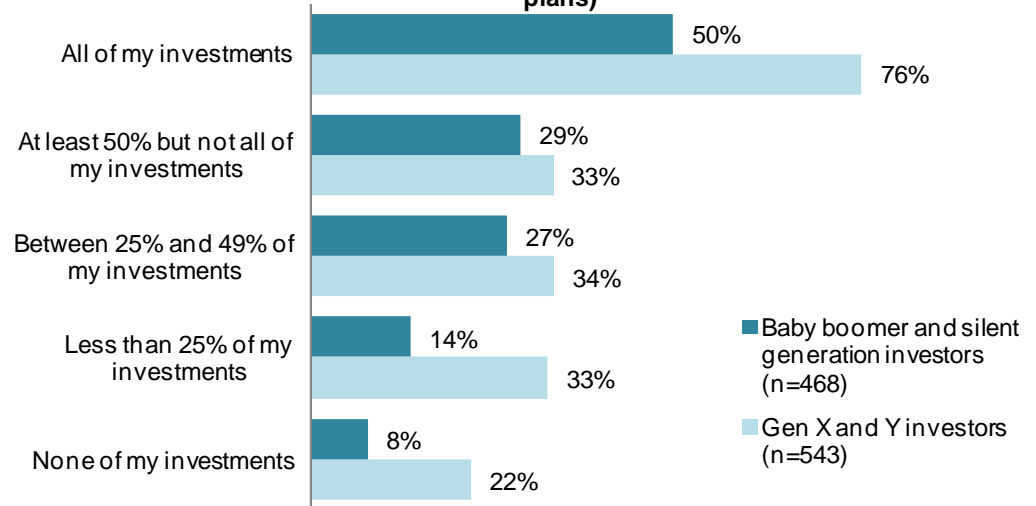
Source: Schwab investor relations, summer business update, July 2014.

Banks Can Win Back Boomers by Growing Investment Wallet Share

- As Boomers and Silent Generation investors bring more of their investments to their bank their perception of the bank as a primary investment provider grows

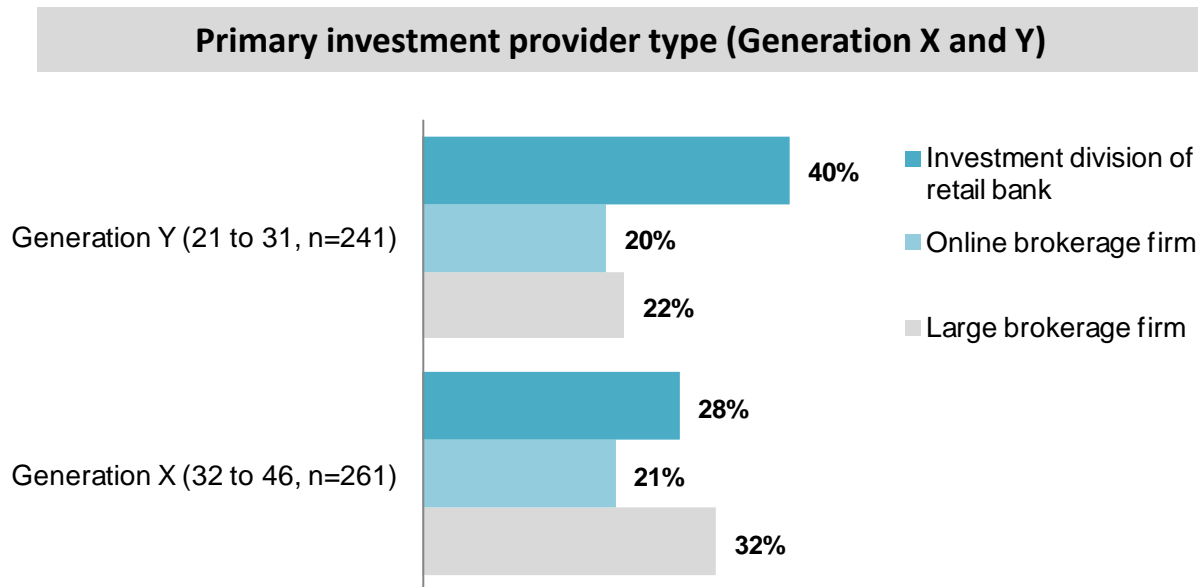
– *From less than 10% of baby boomers without investments at their main bank to 29% of boomers with at least of half of their investments at their main bank*

Investors Indicating That Their Primary Investment Provider Is an Investment Division of a Bank
(By percentage of investments with their main bank, outside of 401K plans)



Banks Have a Significant Opportunity with Gen X and Y Investors

- Many generation Y investors already view their bank as a primary investment provider (40%) while online brokers and large brokerage firms have only captured 20% of this segment, respectively



**Source: Aite Group survey of 1,014 U.S. investors, December 2011 with at least US\$25,000 in investable assets with some assets held an institution that offers online trading.*

Online Brokerage drives Multiple Benefit Streams

Direct revenue benefits



- Grow share of investment wallet with existing clients and attract new customers
 - Estimated direct revenue of **\$150 to \$200** per account
 - Cash balance
 - Trading activity
 - Asset –based revenue
 - Realistic expectation of **20% profit margin**
-

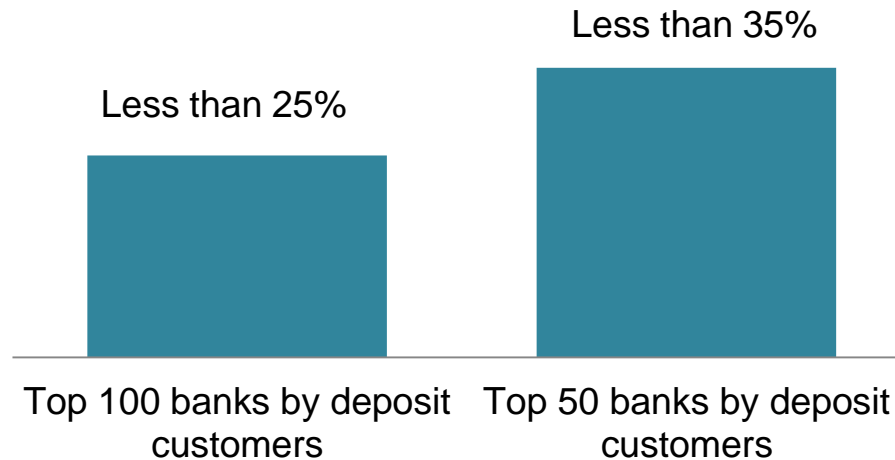
Indirect revenue benefits



- **Retain** baby boomers and Gen X / Y assets
- **Scale** new products (managed accounts, retirement income products etc.)
- **Grow assets / sales of other products** (deposits, credit, insurance) by becoming a primary financial services provider to more customers

Banks Have an Opportunity to Differentiate with Online Brokerage

- A minority of the top 100 Banks have an independent self-directed channel

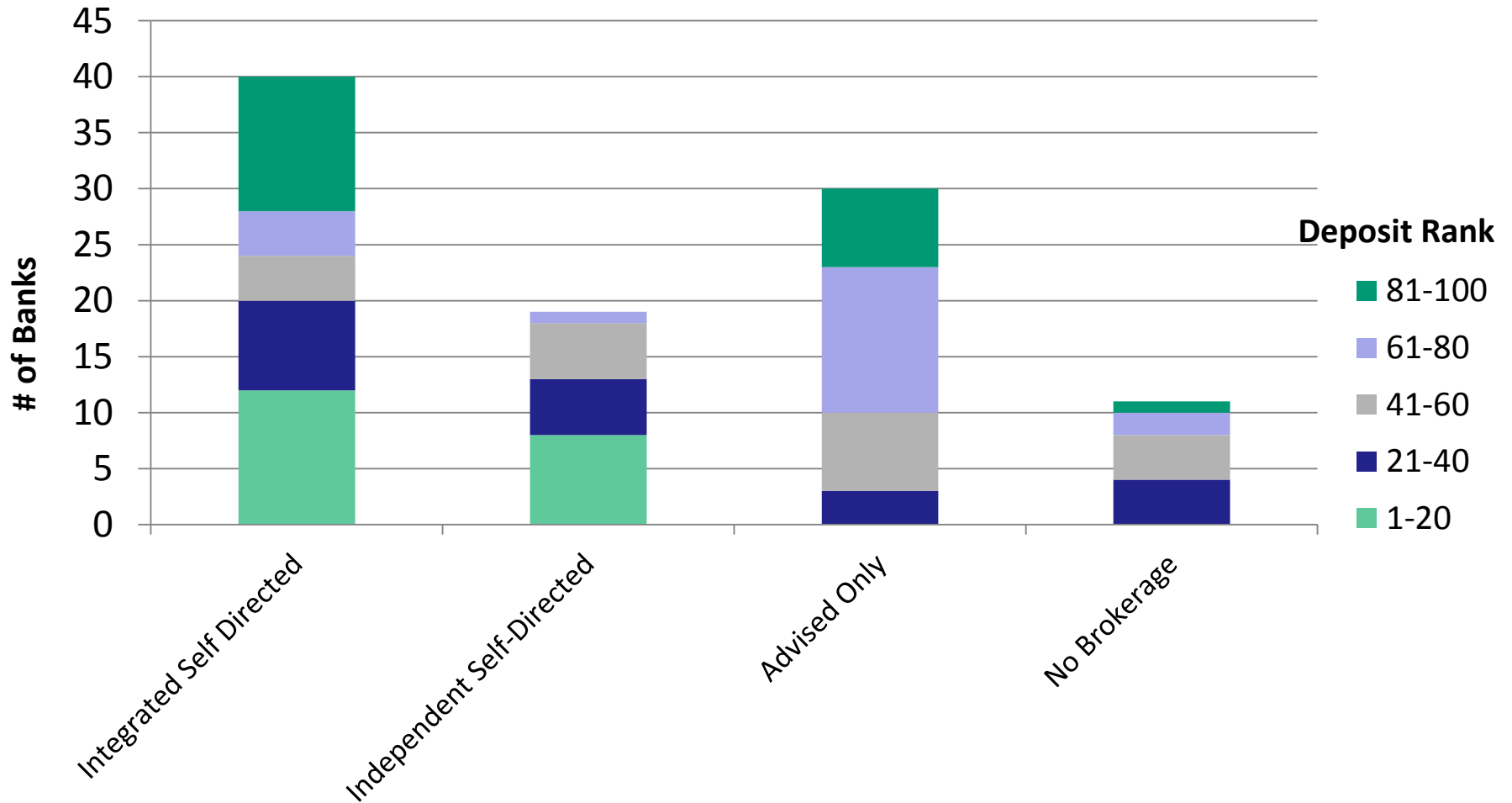


Source: Riperian.

Building Out an Online Brokerage Platform

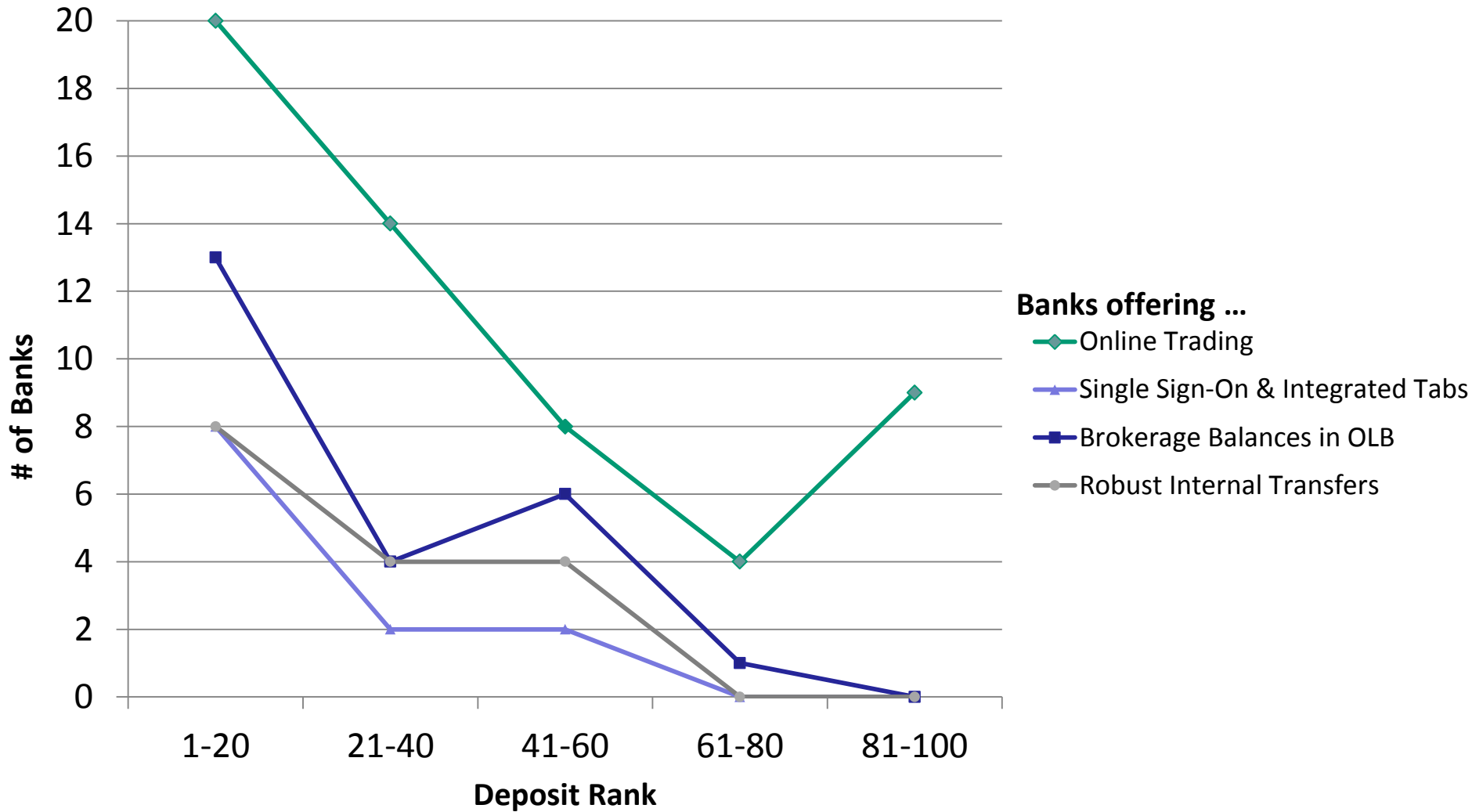
- What do others have?
- What do we have already?
- What does our firm need?
- How do we build it?

Brokerage Delivery Approach



Source: Riperian.

Bank-Brokerage Online Channel Integration



Source: Riperian.

Integrated Self-Directed Brokerage Capabilities

- Opportunities exist to deliver an integrated and differentiated Self-Directed brokerage platform
- The Top 50 Banks deliver widely varied self-directed brokerage experiences
 - 2 banks deliver a platform on par with today's online brokers
 - 7 banks have deployed solid platforms that offer all expected functionality
 - Common issues: Usability, depth of decision support, ease of product delivery
 - 3 banks deliver a functional platform with some missing components
 - Common issues: Inadequate transfer functionality, flawed account opening
 - 6 banks have deployed a platform missing material functionality
 - Common issues: flawed integration, flawed navigation
 - The remaining 32 offer limited Self-directed brokerage functionality to their customers, or nothing at all

**Source: Riperian.*

Online Brokerage Program Components

- Brokerage Platform
 - Online Trading
 - Investor Decision Support
- Online Banking Channel Integration
 - Account Linkage
 - Balance Display
 - Single Sign-On
 - Integrated Transfers
- New Brokerage Business Elements
 - Self-Directed Infrastructure
 - Call Center
- Bank/Brokerage Product Integration
 - Cross-product benefits
- Sales Infrastructure
 - Traffic Generation
 - Sales Management

Initiative Portfolio Prioritization – Scenario 1

Scenario: Growth & Extension

Current Situation

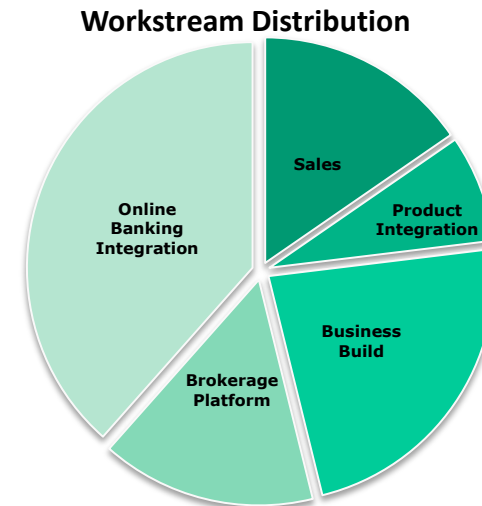
- Competitive Online Banking
- Flexible Banking Systems
- Mature Brokerage Operations
- Basic Online Brokerage Platform

Goals

- Integrate Online Brokerage with Online Banking
- Offer Self-Directed Brokerage

Initiative Prioritization

- Single Sign-On
- Transfers
- Product Differentiation
- Sales Management



Initiative Portfolio Prioritization – Scenario 2

Scenario: Build Almost from Scratch

Current Situation

- Lagging Online Banking
- Rigid Banking Systems
- Limited Brokerage Operations
- No Online Brokerage Platform

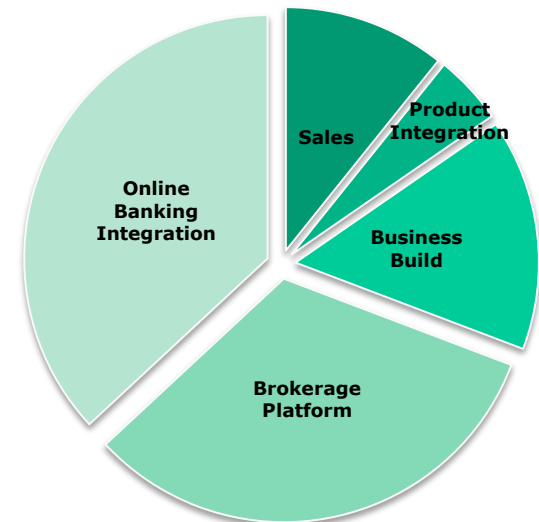
Goals

- Launch Online Brokerage Platform
- Integrate Online Brokerage with Online Banking
- Offer Self-Directed Brokerage

Initiative Prioritization

- Account Linkage
- Balance Display
- Brokerage Call Center
- Basic Account Opening

Workstream Distribution



Payback profiles – Building a Self-Directed Brokerage

- Payback profiles are a direct correlation of the gap between a firms current state position an the desired end state position
- The following components should be assessed to determine ones current capabilities
 - Customer base – size and profile
 - Online Banking platform functionality & flexibility
 - Technology infrastructure
 - Online sales capabilities
 - Branch based sales processes
 - Compliance & business support
 - Compliance & business expertise
 - Clearing firm

Payback profiles – Building a Self-Directed Brokerage

	Big Build With Existing Infrastructure	Targeted Build With Existing Infrastructure	Big Build No Infrastructure to Leverage	Targeted Build No Infrastructure to Leverage
Top 15 Bank	18 – 30 months	12 – 24 months	24 - 36 months	18 – 30 months
15 - 30	24 – 36 months	18 – 30 months	30 – 36 months	24 – 36 months
30 - 60	36 – 48 months	24– 36 months	42 – 54 months	36 – 48 months

Conclusions

- 40% of your bank customers investable assets are Self-Directed – Some of them should be with you
- Prioritize the elements of self-directed brokerage – doing all elements at the same time is a very difficult proposition for any bank
- Examine your current infrastructure – you may have strengths that will lower costs and accelerate payback
- Decide where you want to position your capabilities against your direct competitors, and build to that goal



QUESTIONS?

FOR ADDITIONAL INFORMATION



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Thank you for your participation!

**All attendees will get a complimentary copy of Aite Group & Riperian report 'Extend Your Wealth Management Business with Online Brokerage'*