How Wealth Managers are Responding to COVID-19

Preparing for a New Normal

WISE

April 2020

On April 10th, our team hosted two video conferences for WISE members to discuss strategies for managing a largely remote workforce. The following is a summary of insights from more than 40 financial services firms. We were pleased to have Gavin Spitzner, President of Wealth Consulting Partners, serve as co-host. For Gavin's video summary of these calls click here (link), or access his curated list of COVID-related resources for wealth managers.

From Enabling Remote Work to Establishing New Routines to Solving New Problems

Firms continue to reshape their businesses in ways that have no precedent.

Phase 1. Enable remote work and execute on continuity plans. It took just over a month for firms to enable nearly 100% work-from-home. Most firms have settled into new routines that include rotating "in-office" schedules for essential staff (e.g., to handle paper), streamlining or digitizing basic servicing tasks, and establishing recurring meetings to address business continuity. Key lessons learned: *all* employees need the ability to work remotely; firms that fared best already had well-defined continuity plans.

Phase 2. Intensive client communications and servicing. Concurrent with work-from-home efforts, 'Phase 2' saw some of the most intensive client communications in history. Goals: recurring outreach to all or most clients, discuss goals, update financial plans, identify opportunities (e.g., SBA loans), serve as an empathetic counselor, and reinforce value propositions.

Phase 3. Improve remote work productivity, maintain morale, and address sales (see next section). Phases one and two are well underway, but there are numerous opportunities to improve remote work practices. In terms of growth, firms are confident that servicing efforts will yield incremental assets and revenues from existing clients, but replenishing sales pipelines and closing new business virtually is a hurdle that few have attempted. Daunting sales challenges warrant attention; many firms do not expect a return to normal for at least six months to a year or more.

Improving Remote Work Productivity

A top priority: maintain employee morale.

Firms generally report high staff morale. Managers credit video's ability to create feelings of connectedness and intimacy. Employees are able to engage their peers in new and humanizing ways, e.g., by seeing their co-workers' families, pets, work spaces and homes on a regular basis. Ironically, the pandemic has also contributed to an *esprit de corps* and shared feelings of purpose. For some, supporting local communities by participating in the SBA loan programs inspired tremendous cross-firm collaboration and volunteerism. Although morale is high now, managers are wary about the risks of indefinite work-from-home, diminished social opportunities and deferred vacations.

Regular employee engagement is one of several morale-boosting tactics; adjusting goals is another.

Maintaining small morale boosters—video conferences, contests to pick the best home workstations, bring your pet to work day, etc.—are imperative for lightening moods. In addition to regularly inquiring about the well-being of teams and being measured in their communications, managers are deploying a number of tactics to sustain morale, for example:

- Reducing production goals to align with diminished sales opportunities. Implementation tips: reductions are significant (e.g., 75%+) but only affect goals, not compensation plans.
- Changing the timetable of incentive payouts to assist families that have spouses who have lost work.
- Engaging third-party motivational speakers to produce videos with customized messaging (e.g., "adversity as opportunity").
- Providing confidential Q&A channels for employees to ask questions of management teams.
- Changing the topic of conversation: less COVID, more "strengthening the business".
- Shortening the length of "all hands" meetings, e.g., 15-20 minutes only, to maintain high participation rates and avoid burn out.
- Preemptively addressing sensitive issues such as expense reductions.

A "new normal" requires new best practices. First up: get better at video and digital delivery.
What worked in the past may no longer be appropriate (or at least sufficient) for the current environment. Adoption of digital servicing tactics and video conferencing were early wins. Firms are now focused on how to:

- *Improve remote client meetings:* At least one firm enlisted its most tech-savvy employees to create a series of well-received video tutorials about running high-quality remote client meetings. The tutorials cover topics such as how to plan for video meetings, tips on making video conferences more interactive, and tactics for sharing documents. Key goals: give advisors more confidence doing video, improve consistency, and share success stories.

- *Boost service digitization*: For example, firms are promoting broader use of e-signature and trying to reduce the number of checks by using wires to manage money movement. Digitizing the loan underwriting processes remains a work-in-progress. Firms are making advances with more common types of loans (e.g., home equity) and are experimenting with scanning and PDFs.

Looking Ahead to Growth and Sales

First quarter financial results will be solid for many; uncertainty has firms revising forecasts for the coming months more frequently.
Some wealth managers are reporting solid (or better) financial results thanks to existing pipelines and lag effects. Conversations with prospects who were already in the pipeline have been similar to typical sales conversations, but as firms exhaust past efforts and new sales opportunities wane, revenues will slow down in the second quarter. There is a lot of uncertainty about how to refill pipelines and initiate sales conversations with new prospects.

Tactic: To set appropriate expectations amidst so much uncertainty, firms have revised their sales assumptions and increased their forecasting frequency (e.g., moved to monthly).

Service is the new sales.
Rather than "business development as usual", firms are coaching their teams to focus on service, a strategy that many expect to yield longer-term sales, retention and referral dividends. Regular communications and check-ins – both scheduled and unscheduled – with clients and prospects are imperative for sales and service teams. Stuck at home with ample free time, many clients are eager to talk to their advisor.

Beyond existing clients, reports of firms successfully engaging "new new" prospects or acquiring new relationships are uncommon. Current sales opportunities tend to be more limited or opportunistic:

- SBA loan programs created sales opportunities for both commercial banking and wealth management businesses (see below).

- Some have "recaptured" former clients who had moved all or parts of their relationship to other providers, especially lower-cost firms; willingness to reengage reflects renewed interest in advice and guidance.

Many clients would like to talk about something other than their portfolios and COVID.
Perhaps more than in recent memory, firms have an opportunity to redefine their value proposition around advice rather than just investments. One firm reports that "almost all" inbound calls are unrelated to COVID but, rather, have to do with existing financial plans, retirement, or other issues. Clients are also seeking out their advisors for emotional support and assistance with difficult business-related questions.

Managing this surge of interest is testing service teams' capacity and creating a difficult balancing act between fostering deeper relationships and sales with day-to-day responsibilities. To help take advantage of this unique situation, firms are developing talking points for their advisors to initiate conversations on a variety of planning topics, from estate planning to helping aging parents. Good engagement strategies encompass both talking points, but also client data (e.g., spending or transaction data) and segmentation tactics that enable advisors to personalize specific conversations. Firms that have done more to centralize certain functions like trading and rebalancing to free up client-facing associate capacity are better positioned to tap into these opportunities.

PPP loans were an opportunity (and might be again).
Despite lingering doubts about the program infrastructure, firms were able to capitalize on payroll protection loan opportunities. For starters, PPP loans gave advisors a reason to contact clients, offer help, strengthen and expand relationships. The bulk of PPP efforts have targeted current clients, but firms are also engaging prospects with the expectation that many will become future clients. Some firms have accepted applications from everyone in their community, irrespective of whether they have an existing relationship.

Tip: Firms need a communication plan that minimizes the risk of being blamed by small business owner clients for their inability to obtain loans.

It may be early to speculate, but firms are anticipating meaningful changes to post-pandemic businesses.
A few things garnering "votes" from wealth management leaders:

- *More diverse ways of communicating with clients.* Tools that enable better remote delivery (e.g., video calls, co-browsing, client portals, etc.) are likely to stick. While some were likely to become commonplace anyway, the pandemic is accelerating adoption.

- *More centralization and outsourcing:* E.g., in middle offices, so that the front office can spend its time on service. This event may also accelerate the trend towards outsourcing back offices for the same reason, and to ensure business continuity during periods of future volatility.

- *More remote work and flexible work schedules for all employees, including support and administrative staff.* Real estate and co-location are not as necessary as firms may have thought. Some will seek to reduce their real estate expenses, make greater use of shared offices, and have fewer people onsite.

- *Service customization via technology.* E.g., to create capacity and deliver personalized insights, artificial intelligence will become a more and more important capability for wealth managers.