RingCentral

Investment advisors: Protect your greatest asset with unified communications

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Introduction

Investor priorities are changing. While they still care about finding a financial advisory that provides high returns, they're now more concerned about working with someone they trust.

That shift in priorities was revealed in research from the Spectrem Group, in which 29% of investors stated that their choice of advisor was predicated on the advisor's honesty and trustworthiness, while only 18% of investors chose an advisor based on the advisor's investment track record.

Moreover, how the investment management professional communicates contributes significantly to how much the investor trusts that individual. Advisors must understand that different cohorts of investors have their own communication preferences. Research from Accenture shows that 63% of Millennial investors want a mobile platform to connect directly to advisors, while Broadridge analysts revealed that over 40% of Baby Boomer investors prefer talking to advisors over the phone. If investment management professionals don't understand their clients' communication preferences, that erodes trust.

This eBook explores how to build and protect investor trust through clear, effective, compliant communication. It also examines how the right technology—a unified communications platform—enables those communications.

CHAPTER 1

Trust: an investment advisory's greatest asset

If you were to ask an investment advisor what their greatest asset was, the answer might surprise you. Successful investment advisors would say that their greatest asset is their clients' trust.

Research from investment advisory Vanguard shows that

94%
of investors were likely to refer their advisor to someone else if they highly trusted in that person. Referrals are the lifeblood of an investment advisory, so trust is crucial.

Why trust matters to investment advisors more than ever

If clients lose trust in their advisors, they may turn to robo-advisors. Robo-advisors have been steadily gaining popularity among consumers since 2009—not coincidentally, the year after the global economic crisis. Many investors lost faith in their advisors and believed that machines could make better investment choices.

By 2019, the robo-advisor market hit a new high of $827 million in assets under management. Experts predict that robo-advisors will have over $1 trillion in assets under management by the end of 2021.

Many younger investors are choosing robo-advisors over human investment management professionals. In 2020, Vanguard debuted its digital-only financial advisory services, Vanguard Digital Advisor. Two-thirds of investors who signed up for this service are Millennials and Gen Zers, with the average client age being 37 years old. In contrast, the average age of clients that use the firm's hybrid financial advisory services (a blend of human and digital advice) is 57.

As Baby Boomers age and bequeath their assets to their Millennial children, advisors can't depend on the business of their clients' heirs. Analysts estimate that anywhere from 65-95% of children fire their parents' advisors because the advisors don't take the time to build a relationship with them.

Those numbers should give human investment advisors pause. To retain their clients, they must show, not just that they can produce better results than a machine, but that they're trustworthy and understand the needs of investors. A quarterly portfolio review will no longer be enough to maintain client relationships—advisors need to segment their clients by age and determine what their preferred communication channels are. Taking the time to understand client preferences helps build trust.

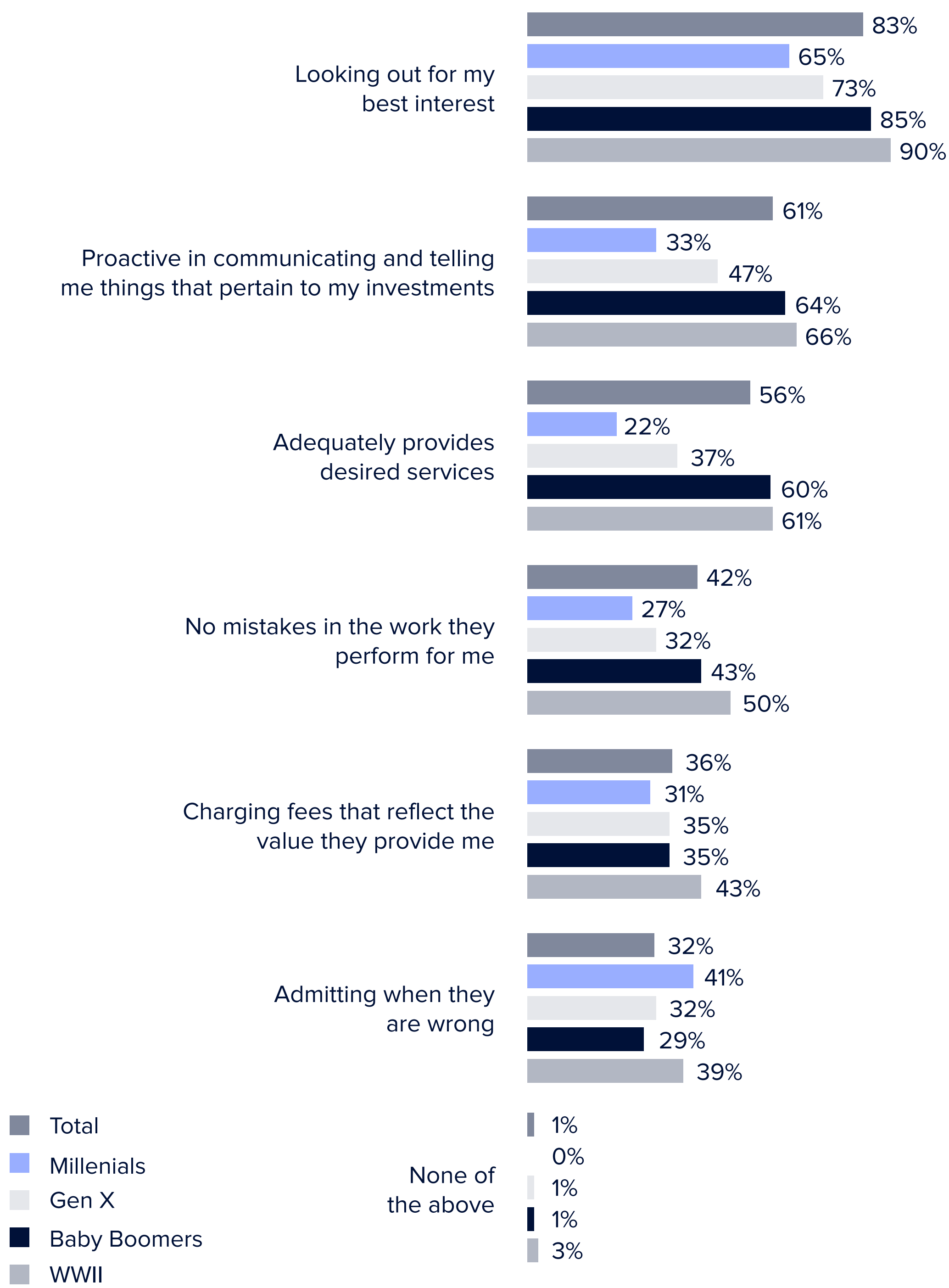
What does trust mean to investors?

According to the Vanguard study, clients trust in their advisors when:

- Their functional, emotional, and ethical needs are met
- The advisor does what he or she promises to do
- The advisor acts in the client's best interest
- The advisor makes decisions that give the client peace of mind

Beyond these foundational aspects of building trust, what trust means to individual investors can be influenced by a number of factors, not the least of which is their age. The Spectrem Group research revealed that age plays a significant role in what investors perceive as trustworthy, as shown in the following graph:

Define trust as it pertains to your primary advisor—by age



Transparency is critical for a client to trust an advisor. In a January 2021 interview, certified financial planner Nick Holeman commented: “Lack of clarity and lack of transparency prevents clients from ever fully trusting that an advisor has their best interest in mind.”

Sometimes, it can be helpful to visualize concepts. To that end, Trusted Advisors Associates LLC, an investment advisory, published its trust equation, based on four variables:

$$\textbf{TRUST} = \frac{\text{CREDIBILITY + RELIABILITY + INTIMACY}}{\text{SELF-ORIENTATION}}$$

“Credibility” means that what you’re saying is true, while “reliability” refers to a person doing what they say they’ll do. “Intimacy” could otherwise be referred to as the safety or security we feel when we trust someone with something—we know that person would never violate our confidence.

All of those variables are more important than “self-orientation” (which means that a person cares more about themselves than others). The more investment advisors can show that they care more about the investor than themselves, the more the clients will trust them.

CHAPTER 2

What does it take to cultivate client trust?

To understand how advisors cultivate client trust, let's take a moment to discuss the common ways in which investment management professionals lose client trust. Researchers from the Spectrem Group noted that the main reason clients leave their advisors is because of lack of advisor communication.

Many investment management professionals still only perform a yearly review to meet compliance standards, or send a quarterly report. Clients must log into their accounts to get a complete picture of their investments. When they do that, the advisor loses that point of contact, and they may not be able to replace it if they're only communicating with investors once a year.

What must advisors do to cultivate client trust? The Vanguard report suggests taking the following steps:

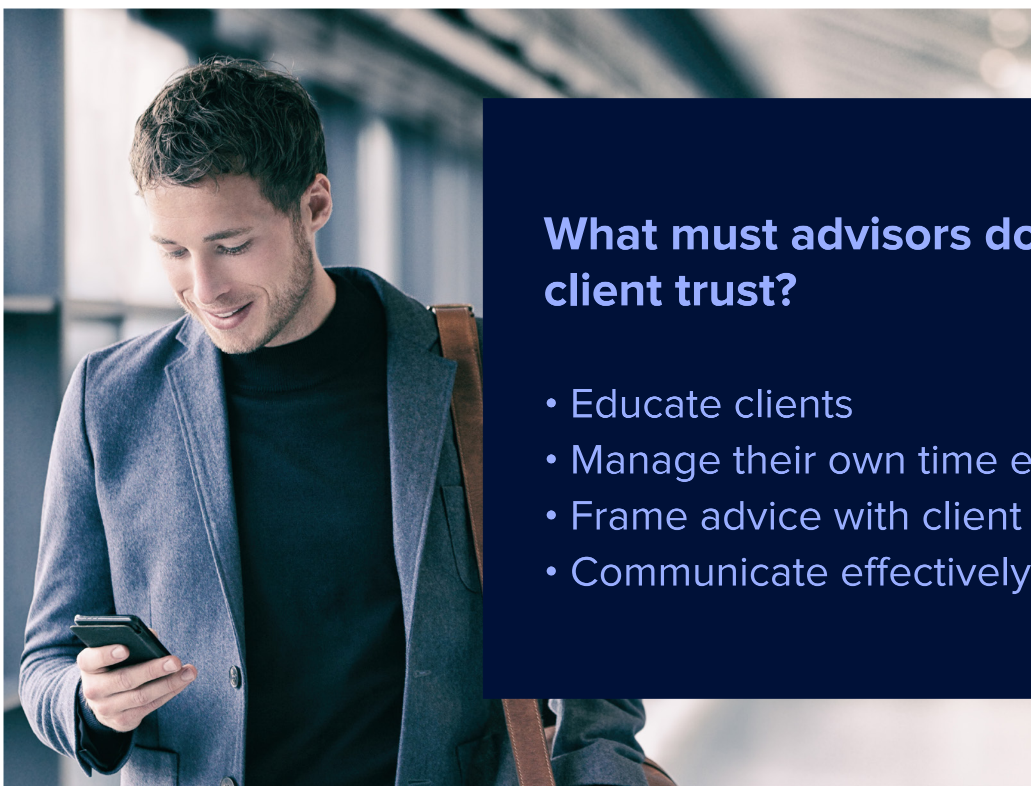
- Educate clients
- Manage their own time effectively
- Frame advice with client goals in mind
- Communicate effectively

Communication plays an important role in three out of four of these steps—client education and advice both require clear and effective information exchange. How does effective communication look, then?

Mike Costa, vice president at Fiduciary Trust Company in Boston, said this in a January 2021 interview:

> "Good communication requires that advisors do more listening than talking. Advisors who are effective listeners can better identify their clients' goals and concerns and develop planning and investment solutions tailored to each client's unique situation."

According to investment management executive Lou Cannataro in the same interview, clients only begin to care about what investment advisors know when they can tell that their advisors understand client needs and wants. "This is when true communication begins," he said.



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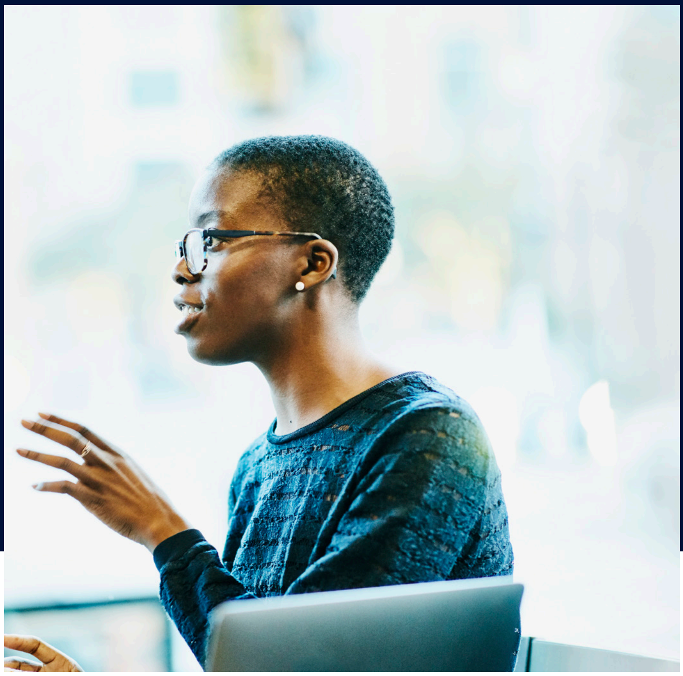
CHAPTER 3

What can investment advisors do to communicate clearly and effectively with clients?



There are two types of communications:

- Outbound communication (in which investment advisory firms share information with their clients)
- Inbound communication (in which clients contact the investment advisory with questions)

In the next sections, we'll look at best practices for each of these forms of communication.

Outbound communication best practices

There are two components to effective outbound communication:

- The substance of your message
- How your message is delivered

The substance of your message should be relevant to investors. It should reflect their best interests, not those of the investment advisor.

However, sometimes how you deliver your message can actually be just as important as what you have to say. Today's clients have very specific preferences about how they like being contacted by advisors. Research from YCharts showed that 86% of investors wanted their advisor to communicate with them through specific channels, while 88% said that if an advisor didn't communicate through their preferred channel, they would leave the firm.

For regular updates:

75%

of customers prefer email

29%

prefer text message

26%

prefer newsletters

26%

prefer face-to-face sessions

Inbound communication best practices

When the markets are volatile or when there's a crisis (be it natural or manmade), investors turn to their advisors for guidance. They want to be able to connect with them quickly so they can make the right decisions to preserve and grow their wealth. In fact, advisors see a surge in demand for communications; for example, the demand for advisor communication jumped 47% between February and March 2020 in the wake of the global health crisis.

That's why it's imperative that advisors respond to clients quickly. Billy Lanter, an investment management professional interviewed in January 2021, warned:

> "A phone call or an email that goes unreturned can do significant damage."

How can investment management professionals meet this surge in demand? The answer lies in a unified communications platform: it enables advisors to send out communications through clients' preferred channels quickly and effectively.

CHAPTER 4

Compliance and communication

It’s clear that communicating with clients is critical to maintain and build loyalty.

What’s equally important is investment advisors’ compliance with regulations. Investment advisors must adhere to strict regulations that protect clients’ privacy. Their communication methods must be secure so that there’s no risk of data breach. If advisors use unsecure communication methods and there’s a breach, they not only face fines but also significant reputational damage.

Advisors must remain compliant with requirements and guidelines from regulatory bodies, including the U.S. Securities and Exchange Commission (SEC), the Federal Financial Institutions Examination Council (FFIEC), the Financial Industry Regulatory Authority (FINRA), and the Commodity Futures Trading Commission (CFTC) and a host of individual laws such as Dodd-Frank, the Sarbanes-Oxley Act of 2002, and privacy regulations such as GDPR and CCPA.

Maintaining compliance while also honoring client communication preferences poses a challenge for investment advisors, as communications by phone, video, and SMS messages all fall within the scope of communications that must be collected and archived appropriately. A unified communications platform can help advisors maintain compliance and build client trust be ensuring these standards are met.

CHAPTER 5

Unified communications platforms: helping investment advisors maintain and build client trust

A unified communications platform enables investment advisory firms to maintain and build client trust. How does this technology work and what is its role in the advisor-investor relationship?

What is a unified communications platform?

A unified communications platform is technology that incorporates the following capabilities:

- Team messaging
- Voice calling
- Video conferencing
- File sharing
- Fax

The benefit of a unified communications platform is that all of these capabilities are in one place. Advisors can send clients messages through a variety of channels, and clients can use their preferred channel to reach out to their advisor.

More importantly, unified communications platforms are compliant with security regulations affecting the financial services industry when third-party applications are connected. They protect communications between clients and advisors to ensure that confidential information stays that way.

How can investment advisory firms use unified communications platforms to build trust with clients?

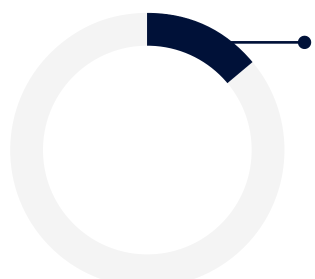
With a unified communications platform, investment management professionals can put inbound and outbound communication best practices in place.

Unified communications platforms and outbound communication best practices

Follow outbound communication best practices when reaching out to investors. The first thing to remember is that investors want information that's relevant to them, in their best interests, and sent through their preferred communication channel. Research published by the Spectrem Group in November 2020 revealed the following information:

29%

of Baby Boomers prefer phone calls



14%

of Millennials prefer video conferencing

21%

of Baby Boomers prefer in-person meetings

7%

of Millennials prefer webinars

Second, investment management professionals must be prepared to handle a surge in communication needs. They can't always predict market volatility or disasters, but they can have the right communication infrastructure in place to share information quickly and effectively. Let's say there's massive flooding in the Midwest, which affects the commodities markets; with a unified communications platform, an advisor could send a text message with a link to a report to clients, so they can proactively manage their investments and mitigate risks.

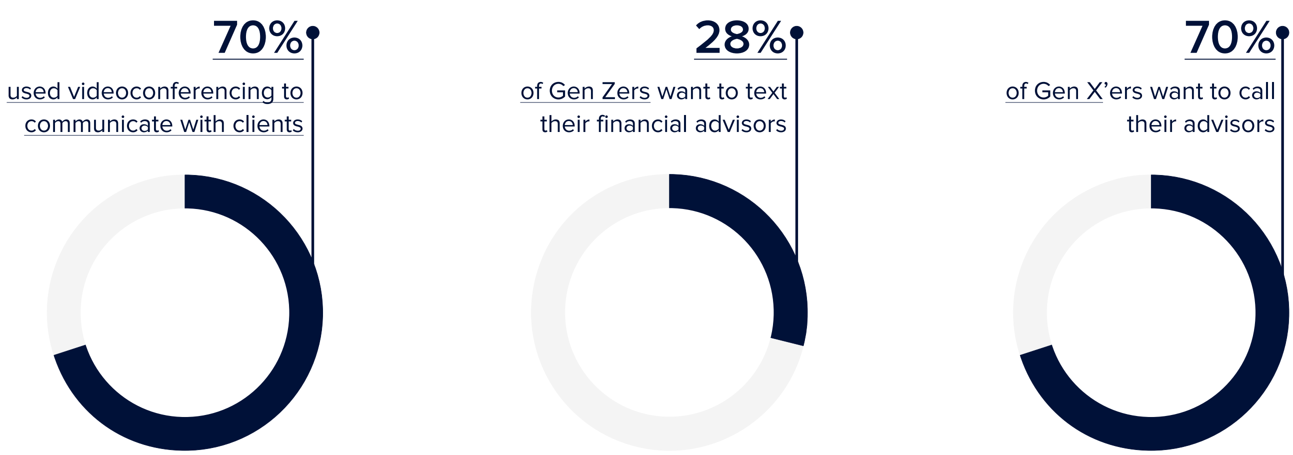
Moreover, investors want to receive information through their preferred channel. If they've signed up for text messages, don't interrupt them with a phone call.

A unified communications platform enables investment management professionals to follow outbound communications best practices because it offers a variety of communication channels. With this technology, you can send messages through text, or you can hold a video conference. During an interaction with a client, you can share files so that everyone is on the same proverbial page.

Unified communications platforms and inbound communication best practices

When thinking about inbound communications best practices, here are some statistics to keep in mind:

An October 2019 survey of TD Ameritrade Institutional advisors showed that



What these statistics show us is that clients have distinct preferences as to how they reach out to their financial management advisors. They need advisors who not only understand that, but are available through those channels.

That's where a unified communications platform shines. It accommodates multiple communication channels, so investors can reach out to advisors how they want. Because unified communications platforms can be accessed through mobile devices, advisors never have to miss a call, text, or video call again—they can answer wherever they are.

CASE STUDY

How an investment advisory firm used a unified communications platform to build trust with clients

EP Wealth Advisors is an investment advisory based in California. Founded in 2004, the company has over $4 billion in assets under management.

Over the years, investment management professionals at EP have painstakingly built relationships with clients, developing individualized wealth plans so clients can maintain and grow their wealth. Yet, the investment advisory's communication system hindered effective communications with clients—there was a phone system and a separate chat application. Clients could wait up to thirty minutes on hold for advisors, without a callback option whereby they could leave their number and their advisor would call them back.

EP turned to RingCentral's unified communication platform. The financial advisory saw the following benefits:

- A rapid and easy deployment
- Phone numbers were ported, so clients could connect to their advisors
- An auto-receptionist streamlined incoming calls
- The unified communications platform extends to all EP offices, so all advisors can use the same technology to communicate with clients

With RingCentral's unified communications platform, advisors find it easier than ever to communicate with clients. Each location has its own phone-queueing system: calls either go directly to a receptionist or to a set of dedicated team members. Financial advisors configured their desktop phones and cell phones to ring simultaneously, so they never miss a call.

The unified communications platform enables advisors to connect with clients through their preferred communication channel and to share information with them easily. RingCentral's video conferencing functionality allows advisors to hold virtual meetings with clients; with screen-sharing, advisors can show clients exactly what's happening in their portfolios.

Conclusion

Clients are the greatest asset an investment advisory possesses. To retain those clients and add new ones, firms need an effective way to communicate with investors. A unified communications platform enables secure, effective communication between clients and investors to build long-lasting, trusting relationships.

About RingCentral

RingCentral's robust, secure unified communications platform enables investment advisory firms to communicate effectively with their clients while ensuring compliance. Save time and money with the communication tools you need in a centralized location.

To learn more about RingCentral's unified communications platform, get a demo.

Learn more about RingCentral for investment advisors at ringcentral.com/trusted_advisors.

For more information, please contact a sales representative.
Visit us at
ringcentral.com/trusted_advisors
or call 844-569-2989.

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