

The evolution of the fintech boom and how you can be a part of it.

6 areas where technology can
help your advice practice.



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In this eBook, Netwealth explores fintech in more detail and examines which areas of your financial advice practice could be actively enhanced by these new technologies.

We hope you enjoy and benefit from it.

Matt Heine
Joint Managing Director
netwealth



Is your business becoming increasingly intelligent?

The rise of increasingly intelligent technology options has created a new environment for financial services businesses, one in which the old rules of the game no longer apply. In the past few years the internet, smart phones, cloud services and better computing power have rapidly increased in both technological ability and widespread acceptance and adoption of the technology. Today's consumers are more empowered than any group of customers before them.

They reward transparency, speed, and flexibility. They value experiences that 'just work', particularly when and where they want them to so that they aren't constrained in their buying and decision making processes by availability or location. Furthermore, the concept of word-of-mouth reputation building for businesses has been scaled by technology to a reach that would have been unimaginable in the past. Customers are more connected to each other than they have ever been and they probably trust their social networks much more than advertising and marketing by the brands they use and interact with.

If you have been reading about technology or business in the past year or so, you will undoubtedly be aware that a number of industries are being disrupted from - travel, entertainment and music, retail

It is no surprise then that the financial services industry is next in line for a technology disruption, and the media has already coined a buzzword for it: fintech.

hotels and taxis, to media and publishing.

So in an atmosphere of rapid technological advances, and the frequent evolution of innovative concepts for better customer experiences, it is not only those who are building new fintech products that can benefit from the growing landscape. Opportunities are opening up for any business with the imagination to visualise new processes and the willingness to partner with those who are developing the capabilities to deliver them.

In the financial services and wealth management industries we all have a great opportunity to partner with fintech developers. It is simply a matter of asking ourselves which parts of our businesses are ready for disruption?

An overview of fintech in Australia and overseas

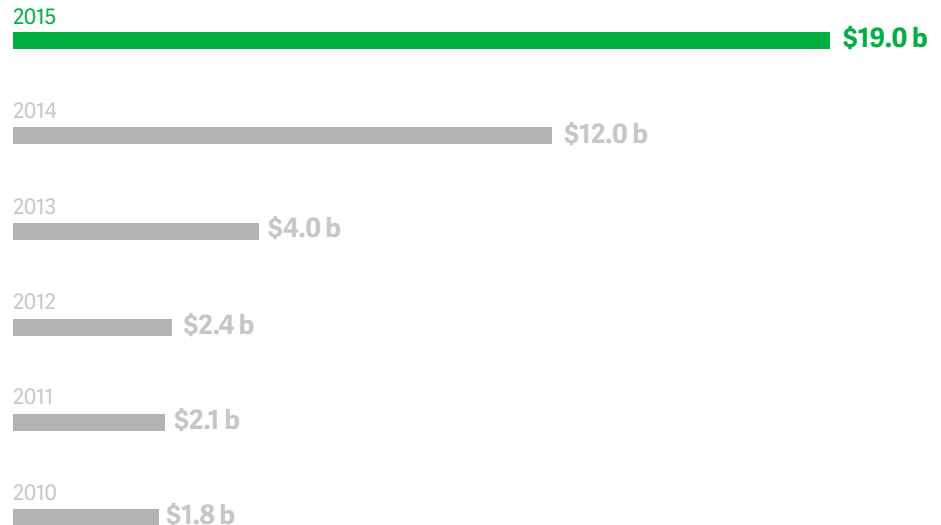


The rise and rise of fintech

According to Google statistics¹⁰, people are almost as interested in 'fintech' (financial services technology) as they are in the booming cloud computing space and big data trends, the technology game changers of recent years. People are searching the web for more and more information, ideas, and inspiration on the topic as the fintech industry grows. The eruption of technology businesses into the finance marketplace has been fuelled by a massive increase in venture investment in private fintech companies. According to KPMG and CB Insights¹, this reached \$19 billion in 2015, which was an increase of 58 percent from the year prior and a huge increase of over 1,000 percent since 2010.

It can be argued that fintech is no longer an emerging industry, and that it is rather a well established one. Some commentators even suggest that the market is reaching a new level of industry maturity and that these businesses are moving into the mainstream.

Investment in private fintech companies 2010 - 2015



An overview of fintech in Australia and overseas

Such insights are illustrated by a large number of successful IPOs and increases in venture capital deal sizes, as well as the fact that huge organisations are starting to invest in and develop fintech products. Tech giants, large financial institutions and governments are playing a large roll in facilitating the growth of fintech.

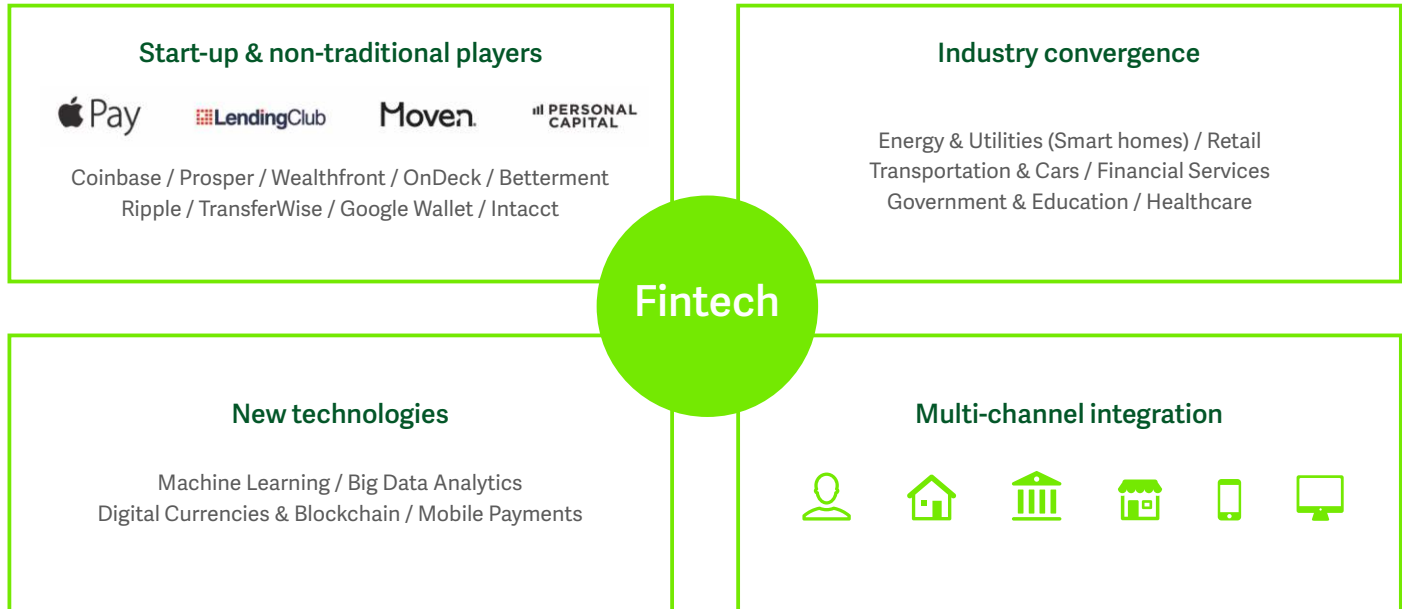
In late 2015, BlackRock acquired [Future Advisor](#), a robo adviser service, for a figure reported to be somewhere between \$150-200 million, and [Learnvest](#), an online advice pure-play, was bought by Northwest for a reported \$250 million. [Personal Capital](#), which looks to provide technology-enabled advice to the mass-affluent in early 2016, raised an additional \$50 million of funding at a valuation of \$500 million.

[Lending Club](#), a provider of personal loans, went public in 2014 with an \$8 billion valuation. [TransferWise](#), a London based peer-to-peer money wiring platform, is processing as much as \$750 million in personal global transfers each month. And [CommonBond](#) which is another notable startup that is hoping to fix the \$1.3 trillion student debt crisis in the U.S., more than doubled its headcount in 2015, raised \$35 million in a September 2015 funding round, and expanded to serve graduates of more than 2000 schools in the U.S.

“Fintech is getting a lot of funding, it's getting a lot of focus and it's got a lot of smart people working out where the profits are and where parts of the value chain can be disrupted.”

- National Australia Bank's chief executive Andrew Thorburn, 2015 ²

Fintech spans industries & technologies



The first generation of fintech products was focused on providing innovative solutions to the back-end technology processes used by established financial institutions.

These products were built to be used by businesses such as banks and online retailers to improve payment gateways, merchant facilities, custodial and admin systems, and so on. However, since the end of the 2000s, the scope of fintech has widened. It now covers any type of technological innovation in the financial sector including services like deposits, loans, payments, remittance, personal finance, insurance, credit reporting, financial planning, investment and asset management, capital raising, market provisioning, cyber security, blockchain technology, and crypto-currencies.

With all of this growth and widespread support, it is not surprising that there is so much excitement building about the future of fintech. The reason is simple; fintech is at the forefront of bringing together many industries and technologies.

Fintech leverages many emerging technological innovations and pieces them together in ways and combinations that have not been used previously - blockchain, big data and artificial intelligence (AI). Even more importantly, it looks to provide new user experiences with technologies such as mobile, location awareness and voice recognition.


































It is hard to imagine an industry that does not interact with financial services providers in some way, so it is feasible to believe that fintech businesses have the potential to impact on most of the world's businesses and marketplaces. Health companies, media outlets, retail businesses, transport providers, education and government have all started to rely on fintech products. This reliance will only increase into the future.

Australia's fintech landscape

This global fintech revolution is not a foreign experience to Australians either. On local soil, a number of start-ups have raised considerable amounts of money to develop their products. Furthermore, the Federal Government has fully embraced fintech.

In fact, the Australian Government has established a fintech advisory

group to “create an environment for Australia’s fintech sector where it can be internationally competitive, and where it can energise the broader local economy by attracting and keeping talented entrepreneurs in Australia. We want to see fintech in Australia become a locus of creative thinking and business activity.”³¹

Financial Planning & Back Office	Investment & Investment Management	Deposits & Lending	Payments	Insights	Capital Raising
					
					
					
					
					
					

Fintech & advice

Six areas to watch



How fintech is going to help advice practices

Let's look at the fintech landscape in a little more detail for how it affects financial advisers and their clients. At Netwealth we believe there are six areas that fintech will impact the wealth industry.

- 01. Customer profiling** - using data to better profile the needs of clients.
- 02. Advice** - using data and AI to identify best case scenarios and advice strategies for clients.
- 03. Investment** - likewise, using data and AI to build best case objective-based investment strategies.
- 04. Insurance** - with mobile phones and wearables like Fitbits and Apple watches becoming more popular for consumers who want to track their personal health and fitness statistics, insurance companies are introducing a range of new services and features that integrate this fitness data with insurance products and processes.
- 05. Customer engagement** - using technologies like video, social media, messenger apps and eSignatures to provide an always available and user friendly experience to clients.
- 06. Back office and reporting** - system integrations, straight-through processing, blockchain and the like will provide better back office processes and efficiencies for your practice.

“Fintech is ‘lubricating’ the diversification of the economy. The catalytic impacts of fintech and its potential to unleash a new era of competition, innovation and job-creating productivity in our economy is inestimable at this point, and very worthy of encouragement.”

- Australia's Treasurer, Scott Morrison , 2015 ⁴

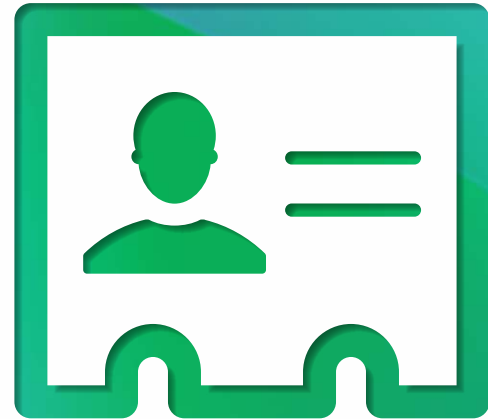
1. Customer profiling

Businesses already use technology to track their customers' behaviours and deliver personalised information, content, and service solutions.

Websites track our online behaviour all the time. Google and Apple have our photos, our location history, email information, and maybe even more.

Netflix makes recommendations based on previous shows and movies we have watched, creating TV shows based on viewer statistics are proven winners in their genres and audience demographics.

IBM's artificial intelligence program, Watson, powers medical diagnostic apps that 'read' through the millions of research papers and clinical trials published each year to surface relevant insights on patient specific treatments.



Fintech & advice: Six areas to watch

So what does this mean for the adviser of the future?

Advisers have a major opportunity to create value out of the qualitative and quantitative information they can collect about their end clients' behaviour and needs.

Think about how many industries have the same advantage of collecting as much information about their customer as do financial advisers. There are not many.

The fact-find process provides advisers an unparalleled source of data about their customers. If you layer this upon a client's aggregated household wealth, their bank account transactions and thus their spending behaviour, their demography and life-stage, and other third party data sources you start to build a pretty clear picture of your audience.

Advisers are in a formidable position to use the power of data analytics to develop precise customer profiles and deliver personalised and tailored services to their customers.

Fintech is opening up so many opportunities to collect and process customer information and data.

It is easy to form an aggregated portfolio overview across all of someone's financial accounts, allowing investors and their advisers to visualise their whole wealth position as a snapshot and make sense of their financial holdings. It is also possible to analyse customer's transactions to improve advice and risk profiling, to possibly predict future investment patterns and identify products that present the revenue potential.

As the amount of available client data grows at an ever increasing pace, fintech and other new technologies will help to make sense of this data facilitating customer segmentation and bringing the right product to the right people. In particular, data analytics, machine learning algorithms, natural language processing and behavioural analysis provide the ability to identify customers' behaviours and trends allowing for more precise customer profiles. This ability will be instrumental in developing products tailored to customer needs and preferences. Thus it will be a key source of competitive advantage for advisers.

2. Advice

Many Australians are not willing to pay \$4500 to \$5000 per annum (a fairly standard fee) for financial advice.

The perception is that these prices mean that advice is only available to a few. To reach the mass market, either the industry needs to do a much better job of educating the masses as to the value of advice or lower its prices. Maybe it needs to do both?

Fintech will play a major role in allowing the industry to provide an advice service at a cheaper cost while maintaining the expected level of compliance. The way an adviser goes about doing a review of a client or a plan today is time consuming. There are manual processes and pieces of paperwork everywhere.

Fintech providers are already looking to address this inefficient process with improvements in financial planning software such as [Pathway's model office](#) which looks to streamline XPLAN. Robo and scaled advice solutions aim to reduce the time it takes to create and sign-off a statement of financial advice from weeks to a single session.



The key for financial advisers is to partner with fintech companies that have the ability to digitise the advice process and develop their own consistent advice model that is in line with regulatory requirements.

Fintech also offers the industry the opportunity to provide new forms of advice. Never before have cash flow and budgeting tools been so readily available.

It is now possible to work with your customers to monitor their financial accounts and learn about their purchasing habits so as to coach the person on their spending and saving behaviours.

3. Investments

2015 was the year of robo-investing. In 2016 it almost seems like old news.

We know today that in some countries robo-investing has almost become mainstream. Vanguard alone has captured more than \$36 billion in assets under management (AUM) from mid 2014 to early 2016⁵. These services are not just targeting mass-affluent clients with their goal-based investment strategies and lower cost fee structure. They are also targeting high net wealth individuals.



The future of robo (or algorithmic) investing will be based on big data and advanced analytics.

Robo advice will use information captured through the customer profiling process such as a person's attitudes and preferences as well as ongoing observations and data from monitoring sensitive economic and business information. This will provide a more personalised and specific investment service beyond a simple portfolio allocation and the utilisation of investment products other than simple structures like ETFs.

Deloitte predicts that by 2025 around 10 to 14 per cent of US retail AUM which equates to somewhere between \$5 to 7 trillion will be captured by robo advisers⁶. However, robo-investing largely attracts non-traditional advice clients like millennials often with lower account balances. So the opportunity for adviser might be to leverage robo-adviser technology as part of a broader holistic service offering where advisers focus on their strengths and use fintech to improve their processes. We are seeing this play out in the US, where as an example Betterment has launched its [Betterment Institutional](#) partnership with Fidelity and has also expanded its service to financial advisers. Motif has released

[Motif Advisor](#), JemStep launched [Advisor Pro](#), and so on. These are just a few examples and don't take into account any platform under development by the big banks. ANZ Bank in Australia and CaixaBank of Spain offer investment advice by quickly combing through tens of thousands of potential investments and suggesting best-fit options based on customer-specific profiles detailing their life stage, financial position and risk tolerance.

In reality, robo-investing is nothing more than a portfolio management system that allows advisers to create models re-balance to them and provide performance reporting paired with an online onboarding process that allows prospective clients to complete the new account (and transfer/funding) process digitally. So does robo offer anything more than what a platform solution can provide today? Probably not. We think robo-investing is more a shift in mindset and a way to mass personalise investment efficiently in a similar way that Managed Accounts do at present.

Fintech & advice: Six areas to watch

Fintech and investing is not just limited to robo or algorithmic investing.

Fintech will also provide alternative investment opportunities and services to advisers and their clients. Today you can invest via crowdfunding services into start-ups. You can use peer investing networks to find other people who are willing to pool their money to purchase an investment together. And you can even use micro savings accounts which round-up your day-to-day expenditure and invest these cents into low-cost ETFs on an ongoing basis.

The investment process of research and analysis is not immune to disruption through fintech either. There are companies, such as [SESAMm](#), that have developed a stock market forecasting tool that is based on analysis of social media content and other text based data sources. [TipRanks](#) is another example, however, its approach is a little more targeted in that it only looks to validated

finance-specific blog posts and peer commentary from actual financial analysts. These companies provide financial indicators by using big data sourcing methods which allow them to develop new insights and trading strategies.

One benefit of this social media based research is that it could appeal to many younger investors who are comfortable putting trust into a social network playing on the concept of the wisdom of peers more than they do traditional advice.

4. Insurance

According to McKinsey&Company, the life insurance industry has only grown 3.1 per cent p.a. globally in the past decade, significantly lagging behind other mature industries such as banking or manufacturing, which have achieved a 5 to 6 per cent p.a. growth rate.⁷

The industry, like many others in financial services, is based on a complex supply chain. Arguably, it could be that same supply chain process that is actually getting in the way of the industry's growth. To incumbents and new entrants resolving this complexity provides the greatest opportunity.



The World Economic Forum, the Swiss-based think tank, suggests that the greatest impact of disruption is likely to be felt in the insurance sector⁸.

KPMG supports this predicting that insurance focused start-up, like [Zenefits](#), [Oscar](#) and [Gusto](#), who reflect new models of insurance or benefits provision, are poised for rapid growth.⁹ Insurance companies are embracing fintech and introducing a range of new services and features that integrate customers' fitness data collected by wearable devices with insurance products and processes.

For example, AIA Australia introduced its [Vitality program](#) into the local market nearly two years ago giving customers who have their health monitored through Fitbits or Garmin devices rewards such as policy discounts and movie tickets.

MLC is piloting a program that allows its customers to earn points for good health habits such that they can earn discounts on their policy for improvements in their lifestyle and health as measured by an Intel-built smart watch.

Oscar, a company in the U.S., supplies its customers with a Misfit Flash wearable device and offers them \$1 credit every time they hit

their step goal with rewards of Amazon vouchers to the value of up to \$250 a year.

In the future, we may even see insurers using technology to constantly analyse the real-time data received from these devices and using predictive analytics tools to engage with customers to indicate health patterns that are either harmful or beneficial to the insured person. This may even lead to a model where insurance premiums change based on a person's monitored health quality and lifestyle behaviours.

Another way in which fintech could dramatically impact the insurance industry is through the way in which consumers apply for insurance products, as well as the underwriting process. Using third party data, such as information from health databases, genealogy databases, the tax office, and artificial intelligence technologies, it is foreseeable that underwriting could be almost automatic, providing a quicker application experience and more tailored product for each individual customer.

5. Customer engagement

Brands like Google, Amazon, Facebook, Uber and Apple have changed customer expectations and significantly raised the bar for great customer experiences.

People now expect an experience that is seamless, contextually relevant, and increasingly based around a carefully curated ecosystem of integrated products, services, information, and entertainment, both physical and digital.



Fintech & advice: Six areas to watch

Consumers today reward transparency, speed, and flexibility. They value experiences that 'just work' particularly when and where they want them to so that they aren't constrained in their buying and decision making processes by availability or location. Furthermore, the concept of word-of-mouth reputation building for businesses has been scaled by technology to a reach that would have been unimaginable in the past. Customers are more connected to each other than they have ever been, and they probably trust their social networks much more than advertising and marketing by the brands they use and interact with.

The old model of face-to-face meetings, paper-based signatures and perhaps even desktop computer experiences is all but over.

With the rise of fintech providers we are seeing a new breed of customer interaction and engagement. The days of one-size-fits-all experiences have passed, and the norm is now to offer tailored, curated, and highly personalised experiences.

It is not just online advice that fintech solutions address, but also the fundamental processes of authentication and document

signatures. It will not be long before we use biometric data such as fingerprints, eye scanning and face or voice authentication to pass identification tests.

So how should your advice business take advantage of fintech and deliver this new customer experience?

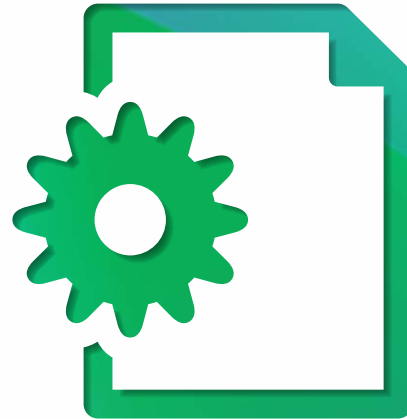
Start with the basics. Identify the best forms of communications - whether it be face-to-face meetings, phone, email, messenger, video conferences, or probably a mix of these. Simplify the on-boarding experience by conducting fact finds online (when and where the customer wants to do it), introduce eSignatures, add services that aggregate wealth and investment accounts into a single dashboard. Make the review process interactive by using imagery, charting and data to explain difficult concepts. Introduce transparency by using investment options on platforms such as [Managed Account solutions](#).



6. Back office and reporting

Back office efficiencies and business reporting tasks continue to be one of the most important areas of a financial advice business. Smart organisations today are using advanced reporting, dashboards and predictive analytics to better understand their businesses. Business leaders use these tools to learn what has worked in the past and to develop strategies for the future.

The wealth industry - and financial advisers in particular - have access to large amounts of customer and business data. Leveraging this data with technology by using the latest software, as well as allocating human resources for analysis and development of smart insights, can allow businesses to answer such questions as: Which customer segments are the most profitable and why? Which customers are likely to leave us and what can we do about it? What products and services should I invest more time and capital in? Which of my processes can be enhanced and how? And what new markets are worth exploring?



The good news for your business

The good news for the broader finance industry and your business is that the growth of fintech should only facilitate a more advanced, more effective, and far better experience for customers. This in turn should help grow the market for financial advice services and products. We are already seeing a new breed of customer embrace fintech services. Just look at the products and experiences being pioneered by companies such as [Acorns](#), which provides a service that allows micro-investing (think money box savings being invested into ETFs). Or [Robin Hood](#), which is a service that provides free brokerage services, and [eToro](#) which offers professional trading strategies for retail investors at a discounted price.

But fintech isn't just limited to customer engagement; it will improve your processes, your human capital and the overall profitability of your business.

As the number of fintech start-ups who enter the market increases, so to will competition.

These companies will be looking to commercialise their investment, and here lies the opportunity. They will be looking for partners and your business might be well placed to work with their businesses. Your decision to build, buy or partner with fintech companies could be one of the biggest decisions you make over the coming years, an important one that could change how you operate your business.

At Netwealth we love helping advice businesses understand and embrace the complexities that technology, fintech and innovation bring. Let us know if we can help.

Exploring fintech:
Case studies in
wealth management

3

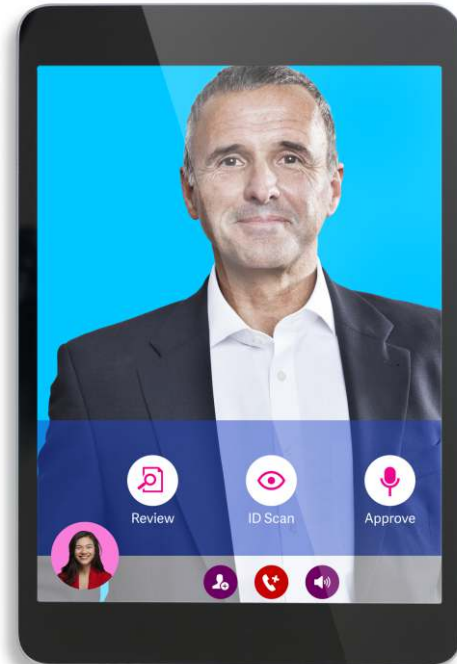
Disruption in the wealth industry

It is difficult to predict the future. Some commentators fear that automation of the tasks that an adviser would typically complete could spell redundancy for many of the services that advice practices offer. Others take a more idealistic view, and see a positive future for advisers who are willing to quickly adapt to new technologies and utilise them as necessary tools to grow their businesses into the future.

The following section of this eBook will provide case studies that demonstrate the ways in which new technologies are automating the functions of highly operational advice practices.

Here we are going to look at a number of businesses that are disrupting the financial advice industry.

One thing that is common is that these disruptive companies actually innovate in a number of areas, not just one.

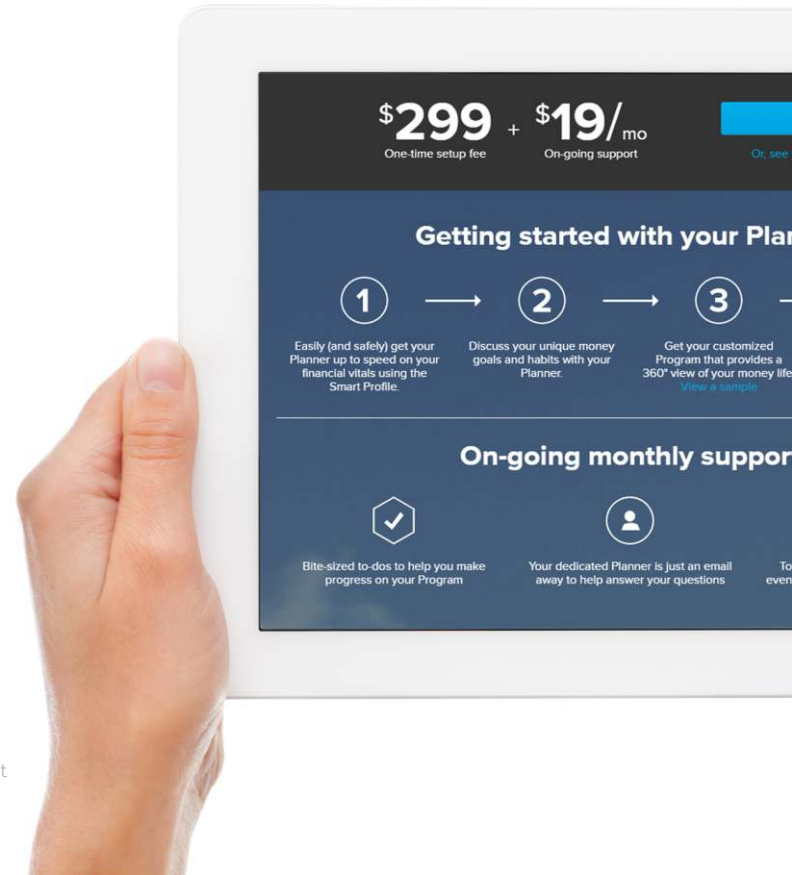


LearnVest

After only six years of operation, the New York financial advice start-up, LearnVest, sold to Northwestern Mutual for more than \$250 million.

LearnVest is a financial advice service that has its financial advisers solely providing advice over the phone and via internet tools.

For a flat fee of \$299 (its profit model innovation), one of LearnVest's 50-plus planners will speak with a client on the phone, draw up a financial plan and then walk the client through the plan online (its channel innovation). For an additional \$19 per month, users get continued support via email, plus access to premium educational tips online. LearnVest also has a website and an app to help users track their progress. (This is its product performance and customer engagement innovation).



Exploring fintech: Case studies in wealth management

LearnVest is able to deliver high-quality financial planning for less due to the following factors (their process innovation):

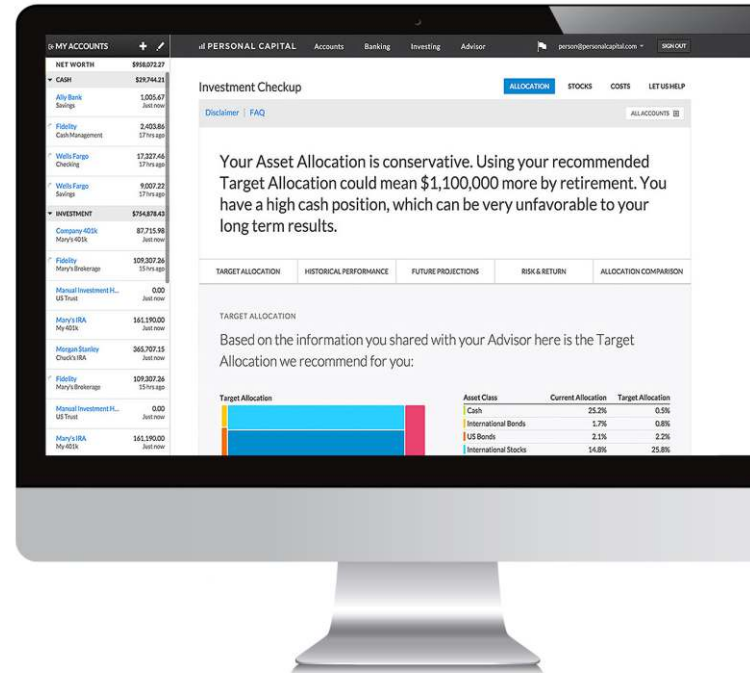
- 01.** The Planner connects a client via email and phone, so they don't have the same overheads associated with brick and mortar operations.
- 02.** The client does some of the legwork by providing them with all their data and account information before the first working session, so they can get to know them right away.
- 03.** They have the LearnVest progress board, linking all the clients accounts and allows the client and the Planner to see what's going on in real time.
- 04.** LearnVest uses (big) data to make smart matches between users and financial planners, which not only cuts out the manual resources required to make matches, but also increases customer satisfaction because they are paired with planners suited to their needs.

Personal Capital

Personal Capital is another company revolutionising the financial adviser industry in the US. It was set up by a long-time technology veteran Bill Harris, ex CEO of Paypal and Intuit (Quicken).

It differs from LearnVest in that its focus is on the mass-affluent market in America. The other major difference is that it has a “freemium” model, where it provides a number of free self-service tools, with the hope of up-selling users into their paid financial advice services, their low-fee ETF “smart indexing” investment portfolios or to their private banking services.

Its innovative product performance features include a number of free tools for PC, mobile and even smartwatches. These allow its users to have a centralised view of all their investments, analyse the fees they pay on their investment portfolio, develop a customised retirement plan and receive an assessment as to how their optimize their portfolio in light of these objectives.



“Financial services are being delivered in a way they've always been delivered for the past 50 years — predominately through physical distribution channels, like brick-and-mortar bank branches, adviser offices, paper processes, things like that... the key is to ditch the shops and bring everything to the Internet... entire transactions in both directions can be quicker, easier, less costly, more efficient and at the end of the day, better if they're all electronic.”

- Bill Harris, CEO of Personal Capital

FutureAdvisor

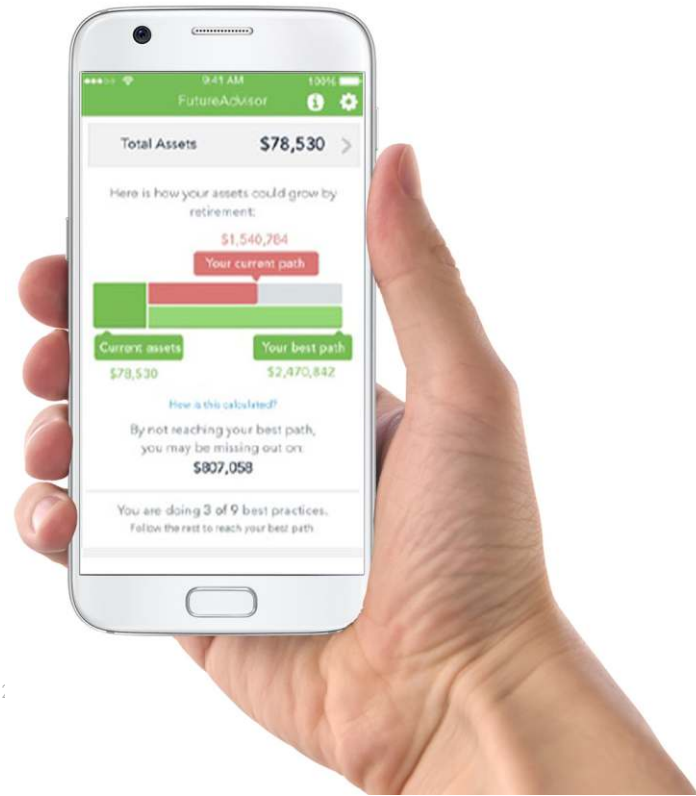
Another business that is looking to disrupt the financial advice industry through the use of innovation is FutureAdvisor.

FutureAdvisor was founded in 2010 on the premise that investing for your future does not have to be difficult or expensive.

Like LearnVest, they cater to the mass-middle, less affluent market – who often have difficulty saving and investing for their long term future.

Using sophisticated algorithms, it provides free tools to its users reviewing their investment portfolio – looking at factors like fees and optimal weighting of assets. It then provides recommendations which the user can implement themselves, or for a fee, FutureAdvisor will execute (via Fidelity or TD Ameritrade) on their behalf using their low cost index and ETF investments (their network and profit model innovation).

Once a client, their team of Chartered Investment Advisors and maths PhDs, use software to manage their clients' IRA, Roth, and taxable investment accounts, including automatic rebalancing and tax harvesting.



Investment research services

An area of the advice industry that is undergoing rapid change is that of investment research services. It is well known that stock and fund research from large data providers such as MorningStar or Lonsec can be costly – which can make them inaccessible to many self-directed investors.

We're seeing these kind of investment idea sharing platforms emerge in the form of sites like Motif, Estimize, TipRanks, eToro and City Falcon.

In Australia, one of the more popular 'social networks for investors' is SelfWealth which lets users log in and share their ideas with other

users as well as compare their experiences and returns with different investment options against those of other users. SelfWealth's website sells the concept of allowing direct investors with the opportunity to use knowledge gathered from the site to improve their own portfolio performance.

There are some obvious risks involved with taking advice from non-professional investors online, these are largely around the quality of the information shared on these sites, and the lack of barrier to entry to the communities – anyone can go online and post their ideas as advice.



Budgeting and savings services

The fundamental role of an adviser, is to help clients increase the level of wealth that they have at present, to an increased figure in the future. As well as providing investment advice, planners have long played the role of 'life coach' in their clients' financial lives. But are the basic services of this particular offering under threat by technology?

In the past clients have turned to their advisers for support in cash flow management, budgeting, and ultimately saving so that they have more wealth to invest.

This process has been re-imagined by technology companies that now provide their users with greater efficiencies in gathering their overall wealth data. These improvements on efficiency are now happening in a number of areas.

For starters, by simply giving access to a bank account services such as Pocketbook can track and analyse a customer's spending habits simply by collecting transactional data. Pocketbook checks a client's

nominated bank accounts for daily ingoing and outgoing payments, and categorises them as bills or other specific expenses like rent, grocery bills, entertainment spending and other. The app then pulls historical data together to determine what your habits in these areas are, so that you can identify spending areas that can be cut back.

Companies like Yodlee and MX now take this kind of service a step further and provide their users with a financial data dashboard that allows them to look at integrated data from all of their financial institutions – and this includes superannuation and investment institutions as well as pure banking providers.

By being able to easily access a snapshot of their entire financial outlook, a client is able to better understand their cash flow processes and therefore create better plans for budgeting and saving.

Exploring fintech: Case studies in wealth management

If being able to obtain an overall analysis of their financial situation isn't significant enough, some services are taking the concept of automated budgeting and cash flow solutions even further.

A number of services have sprung up that allow user to automate 'micro-saving' processes. These work in a variety of ways depending on the service a user signs up to – some simply identify areas that a user can save money, such as paying a bill on time, or cutting back on certain expenses and provide an option to put these savings aside in a separate account. Others simply identify opportunities to frequently take very small portions of the account balance and add them to a savings account.

These services including iQuantifi, Qapital, Digit, and Acorns (many of which are currently operational overseas but set to launch

in Australia) and incentivise the user to save more by providing tools that help them to visualise their savings goals – for some these tools may be used to save in order to contribute to a larger investment portfolio. For others, they may be used to achieve simpler goals such as saving for a holiday, a wedding, or a new car.



Wealth protection services

We have already seen large amounts of disruption to the wealth protection industry.

Companies like iSelect and Compare The Market, and even Government run websites such as privatehealth.gov.au have had huge success in providing online comparison tools for consumers looking to make their own decisions on insurance products. iSelect, for example, provides consumers with the tools they need to compare rates, fees, and even tax benefits on a variety of marketplace offerings for insurance products.

This kind of wealth protection tool has proven to be so successful, that offerings are beginning to extend beyond comparing just health and life insurance – they're now assisting users to protect their wealth by selecting the best home and car loans, phone and internet packages, and even electricity and gas plans.

The ways in which insurance premiums and benefits are measured are undergoing disruption as well. Consider the methods in which

the cover options for health insurance and life insurance would have been measured. Insurers may have been forced to use practices such as surveys or obtaining official medical records to determine how healthy a client may be prior to providing cover.

But technology now allows organisations to actually measure the precise health level of an individual. Take for example AIA Vitality, an Australian company that offers health and wellness services to corporate and private clients. AIA has developed a program that integrates modern fitness technologies such as the Fitbit to monitor its members' health.

This data can be used in many ways for other health services providers, including insurance – theoretically, someone who has used a health monitoring service such as the one provided by AIA, could provide this data to prove their fitness and thus pay lower premiums on health insurance.

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AIA Vitality takes this innovative process a step further, by using the data it collects from its members to encourage and incentivise good health. By partnering with organisations such as Virgin Active, Fernwood, and Anytime Fitness, AIA is able to rally behind its member to get them on board to gym programs to increase their activity levels which in turn provide them with points that allow the members to be rewarded by AIA's other partners – companies such as Qantas, Hoyts, Endota Spa and even Chemmart.

There's no doubt that these innovations will disrupt other processes in hospital and medical and pharmaceutical practices from both

a diagnostic and treatment basis. But for now, it is important for the wealth management industry to take note of the developments that are happening around them, and for planners to find ways to use these tools when advising on products such as insurance.



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Thank you

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