

FAMILY WEALTHREPORT

Schwab IMPACT Conference: Advisors Rocked By Winds Of Change In The Windy City

Charles Paikert

16 November 2012

Financial advisors visiting the Windy City found themselves buffeted by the winds of change swirling around the financial markets and the advisory industry itself during the [Schwab](#) IMPACT 2012 conference in Chicago this week.

A frenetic stock market and a nail-biting countdown to the impending “fiscal cliff” that was fraught with high political drama served as the backdrop to the popular conference. The advisors’ world was hardly more tranquil. Many were taking calls from nervous clients worried about the fiscal cliff, while at the same time trying to make sense of the rapid evolution of their industry.

Speaker after speaker warned them to be prepared for major changes in their businesses, ranging from an upheaval in the competitive landscape, a demographic tidal wave about to impact both advisors and clients and technology changes that advisors can only ignore at their peril.

The transformative tone of the conference was set by keynote speakers Bernie Clark and Peter Diamandis. Clark, executive vice president of Schwab’s Advisor Services division, outlined a series of sweeping initiatives for 2013 and futurist Diamandis, chief executive of X Prize Foundation, cited a series of examples of “exponential” technology reshaping – or obliterating - one business after another.

And in the coming decade, Diamandis predicted, artificial intelligence will eventually “be in the fabric of everything we do and don’t notice and will transform everyone’s industry.”

Perhaps most unsettling for advisors was confronting a shifting competitive environment marked by new online entrants, stronger rival firms and unrelenting pressure to provide more services.

Last days of a cottage industry

“This is a cottage industry now,” said consultant **John Furey**, of **Advisor Growth Strategies**, as he closed a session on creating enterprise value in firms, “but it won’t be in ten years.”

As registered investment advisors continue to gobble up market share at a torrid pace and independent firms keep growing larger and larger, RIAs will increasingly find themselves in competition with each other, industry experts cautioned advisors.

RIAs accustomed to picking off clients from dysfunctional wirehouses will have to adapt to a brave new world, said Scott Slater, managing director of business consulting for Schwab Advisor Services. "It's not going to be enough to just be an independent," Slater said. "Advisors are going to have to differentiate themselves in a more meaningful way."

Online competition

Advisors must also be wary of new online competitors like Betterment, which offer clients low-priced web-based advisory services for a fraction of an RIA's fee, warned strategic consultant David DeVoe. "It may seem counter-intuitive that these services can offer meaningful competition without the human interaction," DeVoe said, "but any smart business person knows that discontinuous innovation – breaking the mold – can be very powerful. Look where we are now – a conference with thousands of independent advisors with over a trillion dollars in assets. Imagine if you had told that to Merrill Lynch twenty years ago."

Indeed, Diamandis reminded the advisors earlier that Kodak, the company that invented the digital camera, turned its back on the innovation while protecting its legacy film business, and is now bankrupt.

Barry Glassman, founder of McLean, VA-based Glassman Wealth Services and the winner of the 2012 Schwab's Pacesetter award for innovation, said he is strongly embracing social media platforms including Facebook, Twitter and LinkedIn to establish a strong brand presence, communicate with clients and even recruit. "We've found some of our best people on LinkedIn and Craig's List," he said. "We want to use the conference to help us decide how to best allocate resources over the next three to five years in areas like new technology, branding and recruiting and retention."

To be sure, advisors were inundated by presentations and sessions on new technology ranging from social media to a wide variety of state-of-the-art investment, workstation and back-office platforms. "The technology advances this year were really striking, and seemed to be more of a focus," said Derek Holman, managing director of EP Wealth Advisors in Torrance, CA. "It seems like you're always playing catch-up with technology, but it's good to see what's available today, and, more importantly, where the industry is going."

Graybeards

Advisors were also confronting change of a more primal nature. The not uncommon sight of men with graying hair at the conference was a reminder that many advisors are nearing retirement age, but less than a third have succession plans, according to industry studies.

"The biggest issue for us is transition," said Jerry Foster, an industry pioneer and founder of the Iowa-based Foster Group, which won this year's Best-In-Business Impact award. "We have a formal succession plan but we want to make sure we have leadership prepared and are able to establish continuity for the firm to thrive fifty years from now."