How Technology Impacts the Financial Planning Profession

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Abstract

Technology impacts the financial planning field in a distinct way and will continue to change the nature of the industry in the future. Financial planners commonly use various types of technology to improve their service and product quality. This paper will discuss several of these current technologies used by most financial planners, as well as technology that is available today that could be applied to the profession, threats to the field that technology presents such as data security, and future technologies that might have significant implications for planners. It is in the best interest of both client and planner to be updated on the technologies available in the field. It is up to financial planners to adapt and thrive alongside these new innovations.

How Technology Impacts the Financial Planning Profession

Many jobs that are common today would not exist without technology that is integral to the related task. The financial planning field has experienced great change throughout past decades as technological advancements like the Internet became normal. Today, there is technology available that can improve the services and products this field provides. In the future, it is possible that technology will be so advanced that certain positions and services in the financial planning industry will become totally automated ("AI and the Future of Planning," 2019). This notion and other implications of the growth of technology present a few threats to the field overall. Additionally, as Hummel (2016) suggested, the shortage of successors in the financial advising field creates a need to focus intentionally on future clients. Tucker (2020) reported that there is an estimated $68 trillion that will be transferred to the next generation or charity within the next twenty-five years. This information implies that technology for financial planners will be significant in the years to come. Financial planners have great opportunity to better serve clients of all generations through implementing new technologies in their practice. It is important that advisors keep up with the technology in the industry to uphold and represent their clients' best interests at all times.

Common Uses of Technology Today

Certain technologies are very common in any financial planning firm today. These technologies might include software for evaluating investments, portfolio management, forecasting future returns, customer relationship management (CRM) software, financial planning software, tax planning software, or data storage. It is undeniable that these advancements have been very impactful to the field. The sum of all technological pieces of a financial planning firm can be referred to as an "information system" according to Casas (2018).

Casas (2018) identifies five aspects to an information system: hardware, software, data, procedures, and users. As time goes on, each of the five aspects must adapt to the new technologies that arrive.

In the broader field of finance, the impacts of technology are obvious, and financial technology is commonly referred to as *fintech* (Belanche et al., 2019). Examples of fintech will be discussed below. These technologies carry implications and applications for the financial advising field as it operates within the financial world. Understanding and mastering these technologies will prove useful to advisors who wish to serve their clients well.

Advisor Website

Financial advising paired with available technology makes the client experience easier to understand and more interactive. Clients having the ability to access their own account information gives them a sense of control and promotes transparency between planner and client. This makes advising firms' websites an important commodity in drawing and retaining clients by allowing access to their information through a client portal. Including a client portal in the advisor's website is becoming a regular, expected feature of most financial advising firms. Big firms that have client portals already are focused on formatting the financial planning data to make sense to the average client. Stich (2019) implied that younger firms will absolutely need a client portal. This emphasizes the importance of allowing clients access to their own financial information without needing to set up an appointment or phone call to obtain the information from their advisor. Accessibility is an advantage to clients that allows them to feel more connected to their finances and the financial planning process. On the flip side, some investors do not prefer to use a client portal, despite being technologically comfortable. Schulaka (2019) shared a survey of "686 non self-directed investors with investable assets over $100,000 [who]

were either very comfortable (38 percent) or somewhat comfortable (42 percent) with digital tools," (p. 29). Schulaka then noted that only 31 percent of these investors used an online client portal to track their financial accounts. While the accessibility may be important for some clients, other clients may not care about a client portal.

Another important use for the advisor's website is to gather more client data. Some larger firms are currently using this process to acquire important data that pertains to the client's financial goals and allows the firm to better meet the client's planning needs. About 73 percent of Americans answered that they are willing to share their personal data with their financial advising firm if it allowed them to gain value (Stich, 2019). This means that American clients are clearly open to the idea of sharing relevant information with their advisor. Having a website that supports the instinct to share information is beneficial to retaining financial information about clients and receiving relevant client date in creative ways. Stich continues to say of this data collection idea, "Financial planning won't evolve toward greater adoption by making concessions toward fewer and data points. It will evolve by reimagining how firms obtain and engage with that data," (Stich, 2019, p. 29). This new form of data collection can improve the level of planning that can be produced by advisor firms. The issue of data security will be acknowledged below. Even with automated data collection, there is always a need for human financial advisors to interpret these findings and listen to what the client truly wants. Improving the amount and quality of data collected from clients about their goals and current status will result in more accurate planning goals and methods.

After collection of the appropriate data, planners can use software to create reports of investments and portfolios that include simple graphs or charts. Investment management and cash-flow planning software can be powerful tools in delivering value to clients. Many firms are

so reliant on their software that it can define the strategy the firm uses for planning (Stich, 2019). Historically, financial planning software started out with a focus on reaching goals, then shifted more toward cash-flow planning in the 1990's (Stich, 2019). In the early 2000's, software moved back toward accomplishment of goals. According to Stich (2019), the gap between goal-based and cash-flow planning strategies is still wide. Other software, like customer relationship management (CRM) tools can be important in the financial planning field. Utilizing these technologies in the advisor's firm will enhance their service quality and lessen the burden of unnecessary tasks on their support staff.

Additionally, financial advising firms are increasingly looking for a centralized platform to run their business through ("Asset-Map Bolsters Orion Integration…," 2019). Rather than having separate software for planning, tax projections, CRM, marketing and the many other functions necessary to complete their work, having a single platform that integrates and links each of the client's information pieces would make the process of planning and delivering the client experience much more efficient. There is currently available software that provides this level of integration. Orion is one example of a software that improves data integrations to provide a better client presentation ("Asset-Map Bolsters Orion Integration…," 2019). Such platforms connect various other programs that a financial planner would use to complete the planning process. With the time saved from these programs, advisors can focus on improving the process of financial planning and other important areas of their business.

Digital Marketing

Another area where software and technology can be extremely useful to an advisor is in marketing. Kay (2019) reported, "72 percent of investors say that an adviser's online information is extremely important… 45 percent of prospects have eliminated an adviser based on what they

found online," (p. 17). In an article, Schulte (2020) explains several of his best investments into the marketing side of his financial advising firm. The first tool is an email management software called ConvertKit. This tool allows advisors to create custom, simple email newsletters and sequence their emails to specific customers. Additionally, this program can segment customers and create tags to gather clients into certain groups for easier communication. ConvertKit also allows advisors to create landing pages, which promote a single goal to motivate the consumer toward the firm's product or service.

Schulte's (2020) second marketing tool is Sumo. This tool can be used to create helpful pop-up windows or *smart bars* that clients will see when using the firm's webpage. These features usually include links to important information or relevant pages for clients. It can allow an advisor to introduce forms and other actionable items to the webpage without prior web development experience (Schulte, 2020). Sumo responds to advisors with information about their webpage interactions, and it is a free service.

Canva is the third marketing tool that Schulte (2020) recommended for financial advisors. This popular technology is a free graphic design program that simplifies the art for the average person. It has pre-loaded templates that look professional and take minimal time to complete with the relevant information. According to Schulte (2020), "You can use Canva for multiple graphics needs: to develop social media banners, get social media images for posts, make greeting cards, create letterhead, or to craft client announcements that will be physically mailed," (p. 41). Schulte informs that his experience with Canva has been excellent, and he hired a graphic designer to create templates in Canva for him to use when needed. This is a powerful tool to use, especially in an age where visuals really matter for marketing.

Another tool that Schulte (2020) recommended is Zapier, which integrates various financial planning-related software. This centralized platform allows an advisor to connect the data and action points for a client in several different software automatically, saving precious time for the advisor. Although it has a steeper learning curve, Zapier can be extremely useful once mastered. Schulte (2020) suggested assigning an individual in the firm to maintain Zapier, as software updates can cause issues with integration. The example given explains how Zapier connects the scheduling software, CRM software, risk profile assessment software, and ConvertKit email software to take a person from prospect to client automatically.

The fifth technology Schulte (2020) recommended for marketing is Loom, which allows users to record and send video messages. This enables advisors to communicate quicker and with a more personal touch than email allows. According to Schulte (2020),

> One of the most common ways I use Loom is to send custom video messages to prospects, giving them a chance to see and hear me before we meet. You can also use Loom to send birthday greetings to clients or summarize a recent performance report. I've also been using Loom to delegate tasks to my office manager. Again, it's easier than typing out an email – and it can be used again in the future to train or onboard new employees. Most recently, we used Loom to begin building a client resources page on our website. These videos show clients how to make the best use of their eMoney client portal (p. 42).

This software proves to be an effective method of communication. These powerful tools for marketing combined will greatly improve a firm in this area. Implementing the technology available to financial advisors today can have significant effects on the overall business in the future. Schulaka (2019) said, "Planners also believe that technology is the key to freeing up more time to spend on personal connections with clients," (p. 29). Friedman (2017) gave practical advice on this process: set a realistic time frame and budget, identify milestones, and prepare for disruptions in the meantime.

Virtual Aging

Technology can even be used to draw more clients to the industry as a whole. An example of this is described in an article from Stanford University, which describes how young people are more motivated to be financially responsible after viewing an avatar of themselves at an older age ("Connecting to Your Future Self…," 2015). An experiment was conducted where several students of various economic backgrounds were shown a virtually-aged version of themselves. Another group of students were shown a virtual version of themselves at their current age. In hypothetical situations, the students who were shown an older version of themselves contributed more money to long-term savings than the other group of students ("Connecting to Your Future Self…," 2015). This example displays the potential for new clients that technology could draw in, as well as the increased financial literacy that technology could proliferate.

Virtual Client Meetings

As the financial planning field adapted alongside the rest of the world to a new normal during the coronavirus pandemic of 2020, Zoom and other video conferencing technologies became an essential tool in extending the workplace beyond traditional offices. In fact, it is estimated that 31% of workers switch to working from home by the first week of April 2020 ("Ability to Work from Home," 2021). Financial advisors were able to continue client meetings and work from home, like many other professions, over this new mode of communication. An example of this is one firm that jumped from ten percent of their client meetings online to ninety percent in March 2020 (Fox and Bartholomae, 2020). This firm expects about half of their clients will want to continue meeting virtually, even after a vaccine is widespread. These numbers are not an anomaly in the financial advising field of 2020.

The financial planning and services industry followed the example of the counseling and mental health industry with these virtual client meetings. Though the two disciplines are similar, best practices should be derived specifically for tele-meetings in the financial planning industry that differ from those of the mental health industry (Sensenig et al., 2020). The authors of this article discovered that tele-counseling is an efficient method of delivering mental health services and can have the same level of effectiveness as in-person client meetings. Dubofsky and Sussman (2009) found that a financial planner generally encounters many situations that closely resemble therapy situations. This informs the choice of the authors to correlate virtual mental health sessions to virtual financial planning client meetings.

An additional benefit to virtual meetings is that mental health professionals were able to decrease the costs of these sessions without limiting the effectiveness of them. This article suggested that financial planners using virtual methods to conduct client meetings have a specific approach in these meetings for certain types of clients (Sensenig et al., 2020). It was also found that client satisfaction in the mental health field is equally as high with virtual sessions versus in-person sessions. This likely would translate over to the financial services industry as well. Another study by Veder et al. (2014) found that mental health clients receiving therapy by virtual means were more likely to follow the course of treatment and withdrew from therapy in fewer amounts than compared to in-office therapy sessions (Sensenig et al., 2020).

The virtual platform for financial planners provides another opportunity to join forces with professionals in related disciplines. Sensenig et al. (2020) explained the combination of financial planning with the mental health field into *financial therapy*. This newer field combines personal financial expertise with counseling skills to assist clients in improving financial behaviors and therefore holistic health. Online meetings allow professionals to work in tandem

without ever leaving the home. The emerging field of financial therapy could have enormous impact on future financial behaviors.

Despite the many possible benefits of virtual meeting capabilities, there exist potential threats in the process of virtual financial advising. One challenge to this method of delivering value is ensuring that clients have the proper equipment for accessing a virtual meeting. Technical difficulties can be a deterring factor in a client's choice to participate in virtual sessions (Sensenig et al., 2020). Sending the client clear instructions for setting up the necessary technology as well as having an IT staff member available to assist the client are both measures that can prevent client frustration with potential technology issues (Sensenig et al., 2020). Another challenge is that of client privacy concerns, which is a matter of client trust in the safety of their finances with their advisor. Finding a platform for virtual meetings that protects customer privacy is the key to preventing any unnecessary security issues (Sensenig et al., 2020). A third challenge is that clients may be tempted to pay less attention and be uninvolved in the meeting if it is in virtual format (Sensenig et al., 2020). By briefing the client beforehand about this, the potential issue can be avoided. Anticipating any challenges and setting up precautions around them is important in retaining and serving clients well in this new age of financial advising (Sensenig et al., 2020). Most potential threats to the success of virtual meetings can be easily resolved.

Technology Available to the Profession

While the financial planning field has already incorporated myriad technologies into the practice, there are opportunities to leverage technology for future growth or success. Existing technologies such as artificial intelligence, cryptocurrencies, or virtual office capabilities may have a significant impact on the field. Technology developed in the future will change the field

continuously. A wise financial advising firm will integrate and adapt to technology to improve the customer experience and increase success.

Artificial Intelligence

There are technologies available today that could be integrated into the financial planning field to improve the services and products offered to clients. One popular technology is Artificial Intelligence (AI). A common example of AI is the Siri feature on an Apple device. AI can listen to human cues and act in response. This is closely related to machine learning, which is what happens when AI is taught new cues that correspond to new actions. According to Kolhatkar, "There are two types of AI: helping and replacing," ("AI and the Future of Planning," 2019, p. 16). An example of this would be how GPS technology might be helpful in eliminating a need for paper maps, whereas an automated checkout lane at a store replaces the need for a cashier. There is some fear that financial planners could be replaced by AI in the future.

Machine learning is another type of artificial intelligence. This technology has the ability to learn new information and integrate it into decisions very quickly. Machine learning is a powerful tool that can be used to analyze historical financial data to identify economic regimes, which are time periods of consistent patterns (Mulvey, 2017). This can have implications for predicting market crashes and economic downturns. AI has already been utilized to create robo-advisors for investment management purposes. However, as the previously mentioned article explains, AI cannot implement the human-to-human relationship between client and advisor. There is a level of human emotion, intuition, and connection that can never be replicated by a machine. A machine cannot comfort someone who just lost their job or lost a family member. Trust and empathy are required for a healthy planner-client relationship, and many clients do not trust a machine or computer to make financial decisions for them. There will likely always be a

need for the human touch of a personal financial advisor. In fact, the 2017 Capgemini World Wealth Report indicated that only 8.9% of the people surveyed actually wanted a fully-automated financial planning process with no human interaction involved (Stich, 2019). Instead of fearing replacement, planners should learn to utilize AI technology to better serve their clients. This is later discussed in the "Potential Technological Threats" section.

Cryptocurrencies

Other results of technology that may become common in the future are cryptocurrencies and blockchain systems, like Bitcoin. "Virtual currency refers generally to digital money that is electronically created and stored but that lacks the status of legal tender backed by government authority," (Magnuson, 2018, n. p.). In essence, virtual currency is like creating a valued currency without a minting process. This also takes away some of the power of the government because the currency supply is not totally in their control, as it would be if only government-minted currency existed.

As blockchain systems become more popular, advisors need to understand how the idea works. Essentially, a blockchain is a public ledger that shows all virtual currency transactions (Magnuson, 2018). Because all participants in the virtual currency can see the blockchain, it ensures that there is legitimacy to the value of each transaction, and any fraudulent transactions are picked out. Mining provides the motivation for the system to work; this is when "users that provide computer power to process virtual currency transactions are rewarded with virtual currency for their services to the network," (Magnuson, 2018, n. p.). Now there are virtual currency exchanges that further legitimize the currency and help establish a value in relation to government-backed currencies. Advisors in the future should become knowledgeable in currency conversion to cryptocurrencies (Casas, 2018). Another reason that virtual currencies are

becoming more popular is that they generally allow users to maintain personal privacy. Users do not have to disclose much personal information to become involved in virtual currency systems. These complex innovations may be difficult to understand, but they could become a legitimate way for advisors to best serve clients in the future. Having a basic knowledge of the systems is also important to answer relevant client questions as well. According to Schulaka (2019), sixty-nine percent of investment management clients said that their advisor's ability to answer questions was the main reason they stayed on as a client. Cryptocurrencies and blockchain technology have the potential to vastly change the field of finance and therefore, the field of financial planning.

Workplace Flexibility

In addition to being convenient for clients, the use of virtual meeting technology and even remote desktop technology has opened the door for many financial services professionals to work remotely. An article by Kramer and Kramer (2020) describes the coronavirus pandemic as an enormous unintended experiment in how various occupations can adjust to a work from home format. The financial services industry is largely online-focused already, with online investment platforms, online banking, planning software, and virtual or phone meetings being common practice. This allowed the practice of financial advising to go on relatively smoothly despite the coronavirus pandemic of 2020. Worried clients going through tough circumstances in that time were able to stay connected to their financial advisors, who could encourage and reassure them. Clearly, there is great potential for a flexible work environment in the financial advising industry.

While some financial advising firms are based on the foundation of face-to-face interaction and strong advisor-client relationships, other firms may implement alternatives

strategies for accomplishing the work of a financial advisor. This flexibility in the field could potentially increase the appeal of the financial planning profession in general. Perhaps a model for advising and planning could be developed that resembles the models of companies like Uber or Instacart, which use multisided platform business models like crowd-sourcing. This model is where a company is the connector between customers and services or products. Imagine a national financial advising company that contracts with local advisors to serve local clients. There are many possibilities for what kind of advising can happen with access to the virtual world. Advisors working outside of a normal office environment with normal office hours would also have greater flexibility for meeting potential clients and networking. This technology provides a change from a set schedule which would allow advisors more freedom to accomplish what needs to be done on their own time.

Potential Technological Threats

Despite the advances that technology has provided to this industry, there are potential threats that may arise due to technology. The need for financial advisors or the services of advisors may change over time. With more reliance on technology, there is the potential for data breaches and cyber attacks. There will also need to be greater regulation of technologies within the financial planning field.

Robo-Advisors

There is a new type of investment manager in the market today that has several advantages over all other financial advisors: the *robo-advisor*. Technologically automated investment management is a newer use of artificial intelligence (AI) that has been a growing section of the industry in recent years. According to Belanche et al. (2019), robo-advisors already have greater than $880,000 million in assets under management and that amount is

projected to increase by nearly thirty-one percent each year from 2019-2022. Robo-advising is becoming a more common feature as banks and financial institutions begin to offer this to clients to create a competitive advantage. One example of this is Bank of America's chatbot named Erica, which is engaged by more than one million of their customers (Belanche et al., 2019). A study done by Fan and Swarn (2020) shows the following:

> The results suggested that the investors who are early adopters of robo-advisor services are less likely to be older (65 or older) but are more likely to possess higher amounts of investable assets, higher perceived investment knowledge, and be more risk tolerant when investing. The individuals who are time constrained but who actively engage in obtaining investment-related information through participation in investment clubs and through third-party sources, and those who carefully shop for credit cards, are more likely to utilize the services of a robo-advisor. This study finds that working-age investors are more likely to use robo-advisor services. (p. 143)

This information shows that there is a specific type of investor that is more apt to use robo-advising. Though some might think that the availability of robo-advisors provides better access for lower-income investors, the findings of this study do not seem to agree. The most likely type of investor to use a robo-advisor is the younger-to-middle aged individual with higher amounts of assets to invest (Fan & Swarn, 2020).

In thinking of the pros and cons to using a robo-advisor service, the main objection is that it can be more difficult for clients to trust a computer than a personal financial planner. However, robo-advisors have an increasingly greater competitive advantage. This advisor system has no underlying agenda, bias, or selfish motivation that a human financial advisor may carry – whether conscious or not. This guarantees robo-advisors a significant advantage over personal financial advisors in Charlie Green's Trust Equation:

Trustworthiness = (credibility + reliability + intimacy) ÷ self-orientation.

Robo-advisors have less self-orientation than any human financial advisor ever will (Kinder, 2015). As younger generations that are largely more technology-native than previous generations increase their wealth and thus, need for investment management services, robo-advisors could become a common practice. But there are negatives to the robo-advisor approach. Lightbourne (2017) finds that robo-advisors may not be able to truly uphold the fiduciary standard. Generally, the advice of robo-advisors is not personalized and comes with disclaimers to shirk the responsibility of a fiduciary. This causes some hesitancy for consumers to use robo-advisors.

Another advantage that robo-advisors provide is that they can charge significantly less for managing investments than most traditional advisors can. Magnuson states, “While traditional wealth management firms charge clients a fee of 1% or more of the assets being managed, robo-advisors can charge between 0.15% and 0.35%,” (2018, n. p.). This is certainly an attractive advantage to investors. The combination of low fees and acceptable performance creates a decently high return to investors. Robo-advisors also accommodate investors with fewer investable assets by generally having lower required minimums for investment management services than a traditional wealth management system. This creates an opportunity for lower-income or younger individuals to receive quality investment management for cheap. Traditional investment management providers must compete with these minimal fees and reinforce the need for a human financial advisor.

Often the platforms for robo-advisors have robust mobile applications that are user-friendly and provide both transparency and accessibility to the investor (Magnuson, 2018). Several companies that already implement this robo-advisor technology include Wealthfront, Betterment, and Folio (Magnuson, 2018). Through the use of complex algorithms, robo-advising

platforms can help investors accomplish specific goals within their portfolios. Tax-loss harvesting is an example of this. An algorithm analyzes the client's portfolio constantly to determine which investments to sell and when to sell them to result in the lowest taxable income for the client (Magnuson, 2018). This constant checking is impossible for a human planner to perform consistently for the typical number of clients. With the many advantages of robo-advising, the choice between them and traditional human advisors is becoming increasingly easier.

However, there is potential for a collaboration between the robo-advisor and the human advisor. If the technology for automated investment management continues to prove its worth, human advisors could adapt the tool into their own services and have more time to focus on other planning needs for the client, producing a more holistic planning experience. Advisors could integrate the technology into their process, speeding it up and improving the quality of the overall plan. In this way, rather than being overtaken by new technology, advisors can instead leverage the new technology to increase efficiency and improve their services, allowing them to serve a wider client base. Kinder (2015) suggested that the partnership will prove to be the optimal mix. Clients can enjoy the benefits of an excellent investment management technology while still receiving the care and empathy that only a human advisor can provide. The client-advisor relationship is still a crucial part of the process, and it requires deep listening on the part of the advisor to increase trust between the two parties. Through this process, the advisor can give the client the freedom to do what they want to do in life. There must be specific value that distinguishes a human advisor from its technological rival. If human advisors can express and emphasize this value to current and potential clients, there should be no fear of replacement by robo-advisors.

Internet-Induced Market Volatility

At the start of 2021, a group of individual investors involved in a Reddit platform known as *WallStreetBets* garnered their resources using personal investing platforms like Robinhood and E*Trade to cause a short squeeze for hedge-fund investing giants. The group focused on several stocks, but GameStop (GME) experience the most noticeable increase. The experiment lasted about a week, with GME stock topping out around $500 per share and closing the week at $52.40 (McCabe, 2021). If anything, the brief stint revealed that a new type of trader is in the market, and they are not afraid to rally against the influential investing giants that have dominated the market for decades. While some investors who jumped into the trading action made off with massive returns, many who joined the frenzy were later met with the staunch reality of enormous losses due to poor timing and lack of market knowledge.

This incident further reveals the overwhelming need for financial advisors, especially amongst young investors. According to Davoli and Rodríguez-Planas (2020), a survey done in 2009 revealed that only 30% of Americans are financially literate. With such low financial literacy, the number of investors who make poor decisions and lose massive amounts is not surprising. An advisor can operate as a guiding force in the right direction and can help prevent clients from taking impulse actions that ultimately tank their individual finances. An advisor helps their client take the long view in such situations. According to Snider and Davies (2017), "Individuals who worked with an advisor engaged in goal setting, calculated retirement and other needs, accumulated increased emergency funds, and had increased confidence in meeting their financial goals," (p. 26). Financial advisors can serve as a knowledge and experience base for clients that will save them from making poor financial choices in the future. Having the accountability of a professional can encourage clients to make wise financial decisions.

This also brings to light the underlying truth that the Internet has connected people in a radically new way. There is a powerful ability to influence such large numbers of people with such few obstacles. Individual people now have a voice that can be heard around the world. Like any power, this can be used positively or negatively. This incident sends a clear message has to the institutions of Wall Street that the individual investors can leverage the power of the internet to unite against them. This effort is almost like crowdfunding, where a number of people join financially to fund a business idea or contribute to a cause.

Fintech Implications

Financial technology (fintech) has experienced explosive growth in recent years, and it has serious implications for financial service providers, including financial advisors. The recent trend of fintech has been to empower everyday consumers, whereas previously, it was focused on improving the abilities of established financial service providers (Magnuson, 2018). For example, online investing platforms with mobile applications like Robinhood and E*Trade have given power to the everyday investor and decreased trading costs significantly. With so much accessibility for the consumer, financial advising may be considered unnecessary. According to Todd and Seay (2020), "half of Americans would be open to trying automated advice," for their financial needs (p. 2). This is unfortunate, because the value of financial advisors does not lie only in their access to certain investments and trading platforms or other capabilities, but it lies in their ability to guide their clients to confidence and success in all areas of life. As fintech increases and thus decentralizes the finance industry, it will be even more important for financial advisors to show their true value in being a guide for clients, a resource for client inquiries, and an empathetic presence that brings confidence when times are tough.

Data Security

Data security has become an incredibly important part of the financial services industry (Edelman, 2019). Advising firms must be as vigilant as possible in protecting client data. This involves taking steps like proper employee screening and background checks, adequate employee training in the security procedures, investing in top-notch data security software and protection, and continually evaluating the methods and tools used to protect data. Unfortunately, financial advising firms are a normal target of these attacks because the nature of the data they store allows access to client's financial information. The potential impact on client's fortunes and lives if data is not secure could be catastrophic. As the world seems to move increasingly more into the virtual world, protecting clients from hackers, data breaches, and online attacks is a vital piece of running a quality business.

There are four main types of data breach that may occur in an advising firm (Edelman, 2019). Each type of data breach involves client, employee, or other stakeholder's personal identifiable information (PII) being exposed to threats. The first type of data breach occurs when technological equipment that contains PII is lost or stolen. The PII data is vulnerable to being used in identity theft. The next type of data breach is when hackers illegally hijack into the advisor's computer and steal PII data. This type of hacking can be accomplished through the use of viruses and trojan horses, among other techniques that hackers use to break into a computer system (Edelman, 2019). Another type of data breach occurs purely because of human error. This error may be intentional in some way, but often it is due to poor training of employees who fall for scams or leave PII vulnerable in some way. The final type of data breach occurs if the advising firm has not implemented proper data safety techniques and systems. This exposes precious PII to attacks from identity thieves.

Although preventative measures can be effective in protecting against data breaches, there is always a possibility that it may happen. In this situation, having an incident response plan can lessen the blow from an attack. According to Edelman (2019),

> An incident response team should include (but not be limited to) emergency contact lists, law enforcement agency contacts, and a time frame for notification. An incident response team should meet regularly to update that information, discuss any changes in the organization, review any incidents that have occurred, and evaluate the response process (p. 28).

Having a plan for when such incidents occur allows the firm to act quickly in response to an attack. Edelman (2019) also suggested that in response to a data breach, important relevant details should be recorded and evaluated to improve future security. Asking the necessary questions after an incident can improve the evaluation process. These questions include inquiring about data encryption, stolen PII data, and potential damage that can be done with the stolen data (Edelman, 2019). The answers to these questions will inform the necessary steps to respond to attacks.

Further, the incident response team should be designated before any attacks. This team should consist of team members from the executive management, information technology, human resources, compliance, and public relations departments in the firm (Edelman, 2019). Incorporating these areas into the response team allows for a wide range of skills and functions to be utilized in such situations. There should be an appointed leader of the team who organizes and implements the response process while maintaining direct communication with upper management of the firm.

The incident response plan should be established beforehand to ensure smooth implementation of the plan in the event of a data breach. Edelman (2019) suggested that there are six steps to creating an excellent incident response plan. The first step is to organize the process

for reporting and documenting any incidents. It is crucial that data breaches are on record with law enforcement so any criminal action is properly handled. The second step is setting up the list of internal contacts that must be notified in this situation. This list should be reviewed for any changes frequently. Thirdly, the firm should have contracts in place with third parties that will assist with data breaches. These third parties include “a forensic investigator, a mail house for notification letters, a call center, and consumer identity protection,” (Edelman, 2019, p. 29). Having these contracts already in place speeds up the response time to a data breach. The fourth step is to ensure that the channels for any legally-required notification to clients are established prior to an attack. An important part of this step is knowing the laws on notifying clients of data breaches in the state where the client lives, rather than in the state in which the firm is based. If the firm’s home state requires notification, the next step is to plan out what the firm’s public statement would be. Preparing the employees who answer client calls with a helpful script for answering client questions is an important part of this step. The final step in creating the incident response plan is to consider how much an incident response will cost the company. Cyber-attack insurance policies are available to firms and may be a necessary measure for some firms to adopt in controlling the damage left from a data breach. Completing these steps in the plan development process will result in a robust strategy that is readily available in the event of a serious data breach.

Obviously, data security is a major consideration for financial advising firms. Financial advisors will be targeted by criminal hackers. These data security updates will be increasingly important as time goes on, and hackers learn new ways to breach the protection in place (Casa, 2018). The consequences of neglecting preventative measures and being unprepared to respond can be devastating for clients and the advising firm alike. It is important to be transparent with

clients if a data breach should happen because this supports clients' trust in the firm which might be lacking after a cyber-attack. Through taking the necessary precautions, frequently evaluating and checking that procedures are being followed, and being prepared to respond, a financial advising firm can greatly reduce the risk that is presented by working with many clients' personal identifiable information.

Regulations

While financial technologies continue to improve and grow, there is a heightened need for regulations in this area. The agencies that monitor financial planning firms will increase their regulations. For the financial advisor, this means potentially enduring more frequent auditing (Casas, 2018). Regulations are generally created to protect against systemic risk. In the early 2000's, this systemic risk was mainly created by large companies that were deemed "too big to fail" because their failures would result in significant economic misfortunes (Magnuson, 2018). This resulted in legislation like *Sarbanes-Oxley*. But as fintech has decentralized the focus of power from these large corporations, new regulations are necessary to counteract the systemic risk involved. These smaller companies have the ability to be more risky than large, established firms with public reputations on the line. Generally, the smaller fintech companies also have less transparency in how they operate, which causes them to be more of an issue for regulating agencies, who must catch up with the changing industry.

It will be difficult, however, for regulators to figure out who to hold accountable in making regulations. Much of fintech is decentralized and publicly upheld, so there may not be one person or entity to regulate. Besides this, regulators often do not understand what fintech companies do (Magnuson, 2018). It can be unclear how these companies operate and where their profits come from. Another issue is that many of the fintech firms are international, which can

limit regulators' ability to protect from systemic risk. Overall, it will be tricky for regulators to create adequate, effective legislation to ensure that any potential failures are not catastrophic on the market at large.

Conclusion

As innovation proceeds further in the future, most of the world adapts with it. In the financial planning profession, it will be essential, as it is now, to continue adapting to technology. Clients are looking for advisors who can reach them through the various means that technology offers. As clients become more technologically literate, they will seek the same level or higher of literacy from their planner. Some of the potential technologies may reduce the labor and research required for financial planners today, so they will have more time to focus on the relationship-building aspect of the industry in the future. It may be a challenge for financial advisors to balance the preferences of both older and newer generations in communication methods. Additionally, financial planners will need to leverage the use of new financial technologies to enhance the quality of clients' experiences. Having a working knowledge of new fintech innovations, even if they are not directly implemented in the advisor's planning process, will allow advisors to answer clients' questions better and therefore provide greater value to them.

Finance at large has been increasingly impacted by technology. There are many benefits to efficiently utilizing the technology available for financial planning firms today. Financial advisors have the opportunity to speed up their process and provide higher quality service to their clients. There are also several threats to financial advisors that should be considered. Threats can also turn into opportunities for growth if advisors handle them intentionally. In the future, it is likely that the industry will continually be changed by technological innovations and

evolving client expectations. It is essential for planners to adapt and thrive alongside these new innovations to stay relevant and competitive in the ever-changing industry.

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