Rethinking the Onboarding Process: The Impact of Digitization for Advisors and Investors

Streamlining account opening may save time, reduce delays, and enhance an investor's experience

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Inside this article, you'll learn more about:

- Why evolving investor expectations may compel advisors to make better use of technology
- The biggest onboarding pain points for advisors and home offices
- How streamlining account opening can reduce cycle time, enhance the client experience, and free advisors to spend more time nurturing their relationships with clients

While home offices agree on the value of digitization, few have completed a comprehensive digital transformation

As investment advisory and brokerage firms prepare for the future, they are constantly searching for opportunities to scale their business and enhance the value they deliver to their clients. To that end, digitization can be a powerful tool to streamline processes like account onboarding, funding, and account feature establishment.

Digitization has multiple goals:

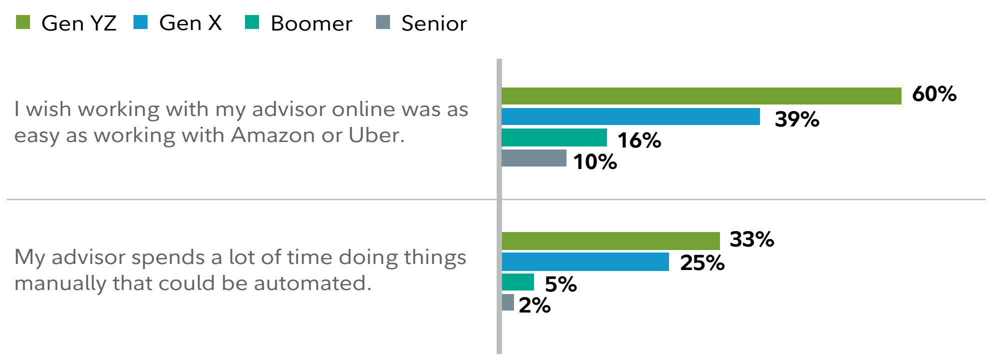
- To save time, including processing time for back offices, paperwork time for advisors, data validation and uploading time, and wait time for end investors.
- To save money by reducing delays and costly reprocessing.
- To provide an experience for end investors that's consistent with the ease they've come to expect from other types of transactions.

While individual digitization efforts can be beneficial, we believe that to realize the full benefits of digital transformation, firms will need to move beyond a focus on paper elimination, and reimagine existing workflows to optimize processes and leave more time to concentrate on serving investors in ways that they value most.

End investor expectations are changing quickly

The investor profile is evolving. From *The 2019 Fidelity Investor Insights Study*,[1] we know that as the investor pool gets younger, they're more likely to expect digitally delivered services from their advisor. In fact, nearly two-thirds of Generations Y and Z (Gen YZ) want an Amazon or Uber-like experience from their advisory firm, while a third question why their advisor is doing things manually when the process could be automated (Exhibit 1).

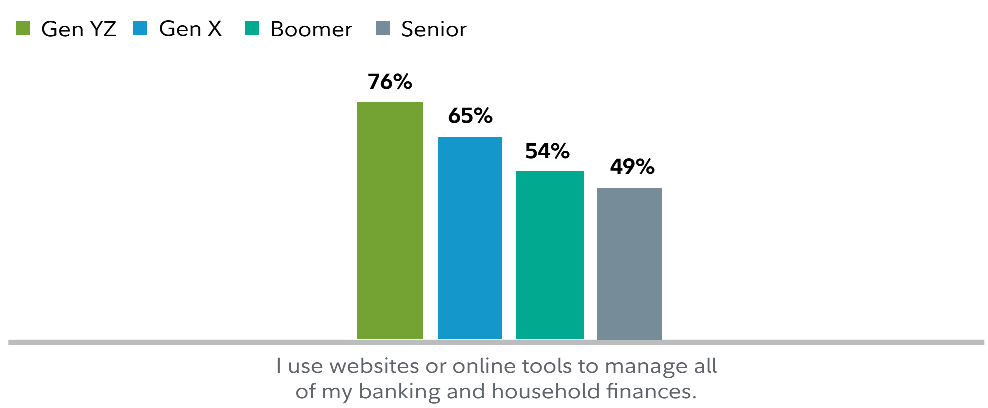
EXHIBIT 1: Attitudes about advisor technology use.



Q—To what extent do you agree or disagree that the above statements describe your primary financial advisor? Graph represents the percentage of survey participants who responded "strongly agree" or "agree."

However, this is not just a generational shift. Half of the senior and boomer investors surveyed are using online tools for banking and finances as well, so adopting technology and innovation is a now—and future—need for home offices to address (Exhibit 2).

EXHIBIT 2: Investor attitudes about technology use.

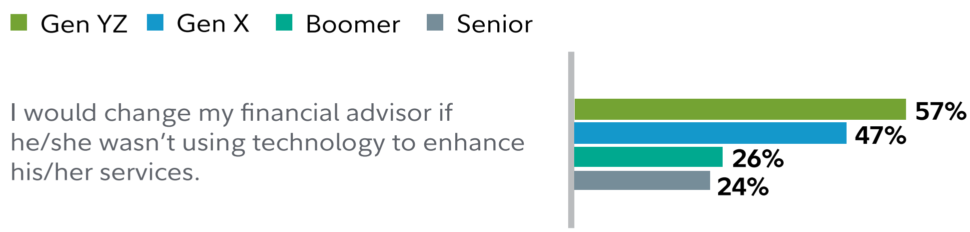


Q—How much would you agree or disagree with the above statement regarding technology use, both in general and specifically with regards to your personal/household financial activities (e.g., checking balances, paying bills, executing trades, tracking investments)? Graph represents the percentage of survey participants who responded "strongly agree" or "agree."

Advisors are now the key players in the digitization journey

The stakes for advisors are higher than ever when considering the younger generations' expectations of technology. In our investor survey, over half of Gen YZ noted that they would switch if their advisor wasn't using technology to enhance their services (Exhibit 3).

EXHIBIT 3: The importance of advisor technology use.



Q—To what extent do you agree or disagree with the above statement? Graph represents the percentage of survey participants who responded "strongly agree" or "agree."

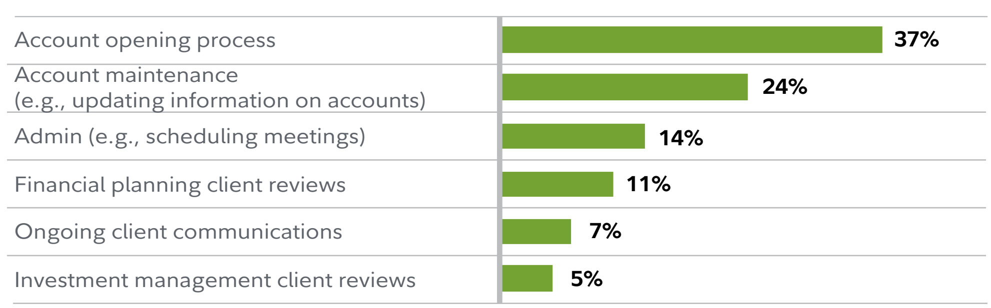
We also learned that younger generations value financial planning, peace of mind, and fulfillment collectively more than investment management. This underscores the need for firms to continue to evolve their approach and allow advisors additional time to provide that expected value to investors.

However, advisors may be constrained by the processes and platforms that are set up through the home office, and will ultimately feel the pain of an inefficient process.

Opening new accounts and initial maintenance transactions: biggest pain point for advisors

To gauge advisor sentiment on digitization of service, Fidelity sponsored a blind survey of nearly 300 advisors at broker-dealer firms across the industry (see endnotes for methodology). Among other insights, the survey found that more than a third (37%) consider the account opening process to be the most cumbersome part of their client interactions (Exhibit 4).

EXHIBIT 4: Most cumbersome part of client interactions.



Q—Which of these is the most cumbersome part of your client interactions?
Unless noted, advisor sentiment in this article represents that of broker-dealer firms (regional B-D, independent B-D, Bank, and Insurance sectors), equaling 299 participants.

In speaking with home offices, we've learned that frustrations with account opening tools vary, from the lack of integration between systems to the inflexible nature of certain platforms. We've also learned that home offices are very intent on improving this process as a way of building efficiency and improving the client experience.

This report will take a deeper dive into the research to explore how impactful digitization and straight-through processing could be to a firm, its advisors and support teams, and the investors they serve.

Client onboarding by the numbers

The average broker-dealer firm in our survey was estimated to open more than 100 new accounts weekly. Larger broker-dealer firms (those with firm AUM of a billion or more) open about 10 times more accounts (average: 203 accounts) in a week versus broker-dealer firms with AUM under one billion (average: 19 accounts).

When we studied the process of onboarding new investor clients, we learned that advisors are opening multiple accounts (two on average) per new client.

Each account can be fairly involved. Opening a new account involves an average of two transfer of assets (TOAs), filling out three firm-specific forms, and activating two or more account features, with each step adding to the level of complexity. An all-at-once digital account opening experience could simplify the end-to-end process and ultimately get money invested more quickly, providing peace of mind for investors.

New accounts experiencing any NIGOs

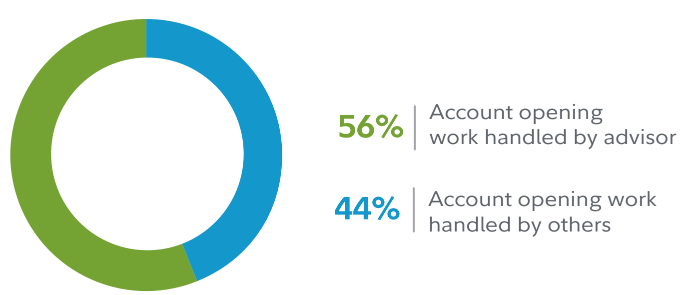
Q—For what proportion of accounts do you experience NIGO (Not in Good Order) notifications when you are trying to open them, requiring re-keying info or re-contacting the client?

Unfortunately, the current process is not always a smooth one, with nearly a quarter of accounts resulting in a "not in good order" (NIGO) status, according to advisors. These errors can make an already-complex process even lengthier.

The most common reasons listed for NIGOs are missing paperwork/investment-specific customer data, or missing customer identification program (CIP) information. A digital experience could help alleviate some of these manual errors by offering better auto-fill processes, including "required fields" and "data validation."

Advisors also tell us that they are handling half of the account opening workload themselves, which is time-consuming (Exhibit 5).

EXHIBIT 5: Percentage of account opening work handled by advisor versus others at the firm.



Q—Considering all the steps involved in opening a new account, what percentage of the work do you personally handle vs. the percentage of the work handled by others in your firm?

As a result, more than half of advisors, especially those at larger firms, believe that they lose out on valuable client face time when doing account opening paperwork (Exhibit 6).

EXHIBIT 6: Time spent on account opening paperwork cuts into valuable client face time.

Q—How much do you agree or disagree with the following statement? The time I need to spend on account opening paperwork at my firm cuts into valuable client face time.

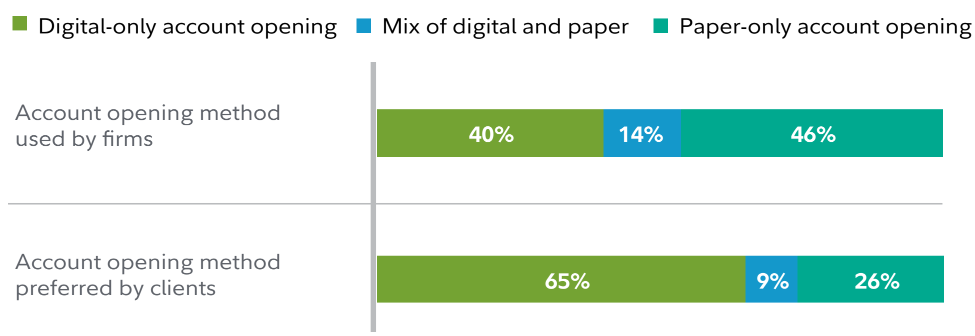
Digitization helps home offices add efficiency while building future-ready systems

Although advisors believe that most clients would prefer digital-only account opening, only about a third of accounts are opened digitally currently (Exhibit 7).

About half of advisors are still using more paper-based methods for at least some accounts. The reasons for this include (Exhibit 8):

1. There is a custodian/firm requirement that the process requires a physical signature
2. Digital signing is still new and the custodian/firm is still in the process of adopting a straight-through digitial process
3. They're appeasing a minority of clients (such as older clients who feel comfortable with the paper-based approach)

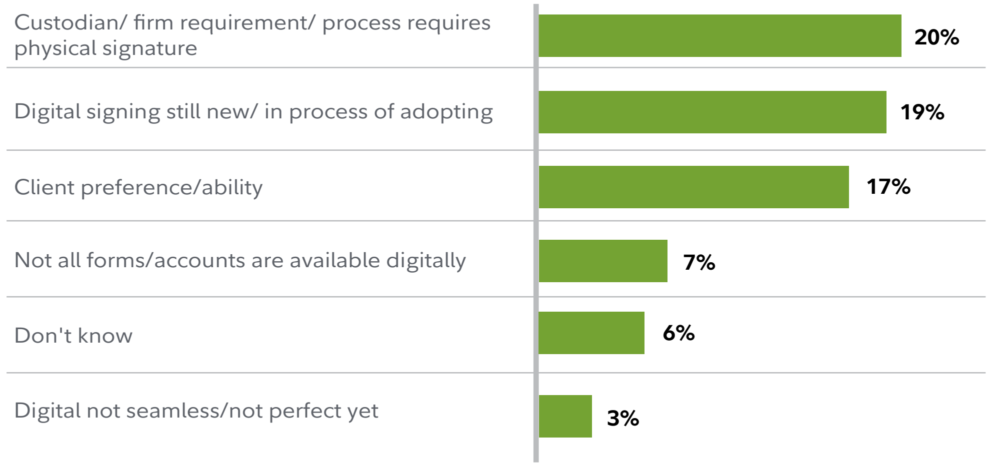
EXHIBIT 7: Account opening methodology and preference.



Q—What proportion of accounts opened at your firm are handled via each of the methods above?
Q—What proportion of your clients would prefer each of the above methods?

According to advisors, the ability to open multiple accounts simultaneously would save them the most time.

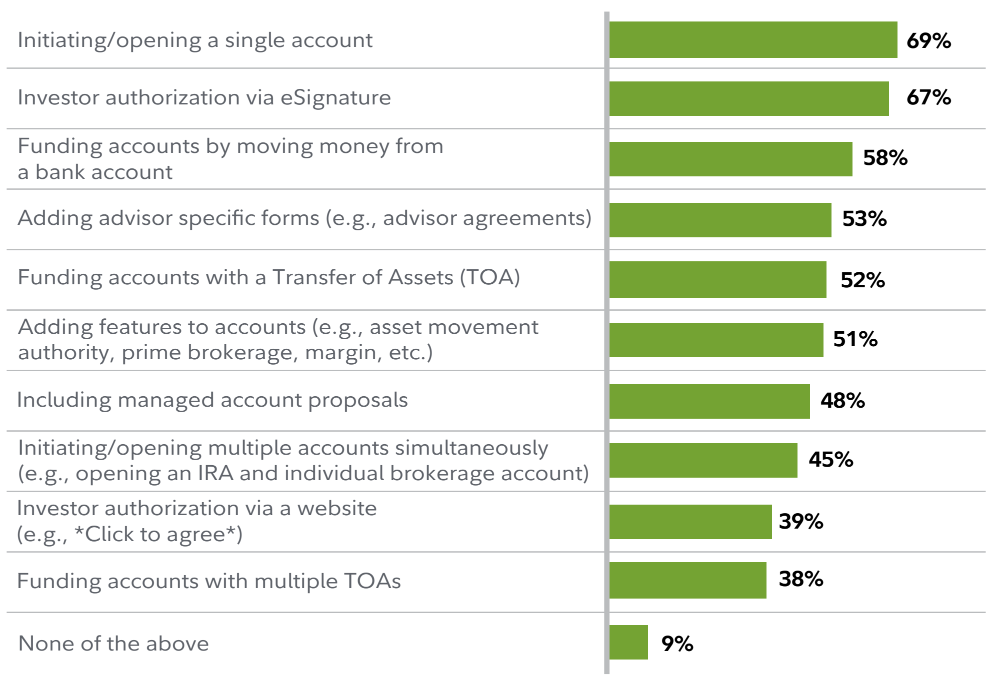
EXHIBIT 8: Reasons for using more paper-based account openings.



Q—Why do you/your firm use more paper-based account openings instead of digital?

Single account opening and client authorization via eSignature are the more common digitized features currently (Exhibit 9). According to our surveyed advisors, out of the various possible digital features, the ability to open multiple accounts simultaneously would save them the most time. Advisors are also very interested in reducing the number of forms and paper, and the number of times a client needs to sign, either wet or electronically.

EXHIBIT 9: Aspects of account opening that are digitized.



Q—Which of the following aspects of account opening are digitized at your firm? (Select all that apply.)

A client-centric approach to digitization may speed up onboarding and reduce potential errors by:

- Reducing the number of pages a new client needs to review and approve by 75%
- Reducing the number of fields a client views by 40%

And investors feel the same way. Over half of our surveyed investors said it was important to be able to handle and sign all initial paperwork at once versus in stages (i.e., opening account, then obtaining a signature for funding the account).

Other top features that advisors want to be digitized include adding features to accounts, adding advisor-specific forms, and funding accounts with single and multiple TOAs.

Moreover, our process design research has shown that many of the frustrations of a paper-based process remain even after digitization, if the digitization simply mirrors an older "account-centric" process. For example, in opening multiple accounts with different registration types for a client, the current process may just replicate multiple existing paper forms, each with multiple fields that copy over information already entered. In contrast, a "client-centric" digital process would not require the client or the advisor to rekey information entered elsewhere, focusing instead on the unique information required for each account type.

Our research shows that new user interfaces that guide advisors through account onboarding and intelligently reduce the number of fields (by showing only what's required for that account) could reduce the number of fields by 40%, speeding up onboarding and reducing the potential for errors. Additionally, a client-centric approach to digitization could reduce the number of pages a new client needs to review and approve by around 75%, greatly improving the investor experience of onboarding.

Home offices may benefit from streamlined account opening processes that free advisor time and reduce overall cycle time

While advisors bear a lot of the work in the account opening process, 94% of broker-dealer advisors have a home office that determines account opening technology. Even if a home office implements a digital solution to help streamline the account opening process, the work doesn't end there. Of broker-dealer advisors who say their home office manages account opening processes, slightly less than half feel that their home offices are responsive to advisor feedback. So, there is substantial room for improvement.

Advisors report that digital-only methods can cut account-opening cycle time by more than half (Exhibit 10). A streamlined process in which investors can review everything more efficiently, and sign everything related to onboarding at once, may offer even greater improvements.

EXHIBIT 10: Time required to open a new account.

Paper only		Digital only	
Average no. of hours	16.7	**Average no. of hours**	7.1

Estimated time savings: 58%

Q—How long would you say it typically takes (or would take) to open a new account at your firm currently using paper-based methods only? Q—How long would you say it typically takes (or would take) to open a new account at your firm currently using digital-only methods (i.e., non-paper based)?

Streamlined digital onboarding—including account opening, transfer of assets, establishing features, etc.—may lead to more valuable face-to-face time between advisors and investors, and result in a more satisfying client experience.

Given the volume of new accounts and the need to make a positive first impression on new clients, the account opening and onboarding experience is a top priority for many firms. But as firms progress through their digital transformation, additional cumbersome processes will be identified and will benefit from a streamlined and client-centric design.

Actions to consider

Here are a few actions that firms may consider to help drive advisors toward using digital processes to save time and enhance the client experience:

Ask

- Proactively solicit feedback from advisors and investors about the current account opening process. Conduct an audit to determine how much time your advisors and representatives are spending on manually opening accounts, and how much time this process is taking that could be spent providing value-add services and guidance to clients.

Identify

- Research technology solutions based on advisor and investor needs. Look to your existing technology stack to determine whether you're using it to its fullest potential. Explore potential integrations of your proprietary technology with external platforms.

Implement

- For home offices with proprietary systems: Ask your providers about integration capabilities and available application programming interfaces (APIs) for processes like onboarding, account maintenance, and funding to see how these APIs may help to enable your firm to integrate your provider's platform updates with your own solutions.

Adopt

- Home offices can help drive full adoption of digital processes by advisors, but they need to be strategic and thoughtful in their approach. Consider launching an internal education campaign to help shift mindsets and behavior. Be sure to highlight the benefits of digitization—including more value-add time with clients—in your messaging. Provide a list of support resources (home office contact, clearing-custody provider, etc.) to train advisors on new processes and help answer any questions they may have.

Estimated time savings for account cycle time when switching from paper-only account opening to digital-only methods

Research Methodology: Advisor sentiment in this report is based on data from panelists who completed the Account Opening survey in Fidelity's Financial Advisor Community (FAC), an online blind survey (Fidelity not identified) conducted by an independent firm not affiliated with Fidelity Investments. The study was fielded from November 7, 2019, through November 13, 2019. Active panelists completing the survey totaled 486. The results of the study are weighted to reflect the target populations based on channel and AUM, according to Cerulli data. Reported base sizes are unweighted, unless otherwise indicated. Unless noted, advisor sentiment in this article represents that of broker-dealer firms (regional B-D, independent B-D, Bank, and Insurance sectors), equaling 299 participants.

1. *The 2019 Fidelity Investor Insights Study* was conducted during the period August 6, 2019, through August 26, 2019. It surveyed a total of 2,026 investors, including 1,102 millionaires. The demographic breakdown was as follows: Gen YZ (n=374); Gen X (n=520); Boomer (n=815); Senior (n=317). The study was conducted via a 25-minute online survey, with the sample provided by Brookmark, a third-party firm not affiliated with Fidelity. Respondents were screened for a minimum level of investable assets (excluding retirement assets and primary residence), age, and income levels. The study was focused on understanding affluent investors' attitudes, goals, behaviors and preferences related to investing, wealth management, and advice. Target sample included respondents across affluence levels, from $50,000 to more than $10 million in total investable assets, excluding any real estate or investments in 401(k), 403(b), pensions, or other employer-sponsored retirement plans. Weighting is based on age and level of assets according to proportions derived from the Federal Reserve's Survey of Consumer Finances (SCF).

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