10 TAKEAWAYS

From a Changing RIA Industry in 2023

Docupace

It’s a year of uncertainty, transformation, and possibility. Registered Investment Advisors (RIAs) in 2023 face a completely different industry and market landscape than even just a few years ago.

Clients have significantly shifted their attitudes toward investing and adjusted their priorities and financial goals. At the same time, new wealth management clients enter the market and set the stage for a **massive wealth transfer** over the next few decades. Paired with a global pandemic, looming recession, and changing markets, RIAs have new challenges and opportunities heading into 2023.

Differentiating yourself as an RIA requires strategic focus and transformative technology. It’s no longer enough to stay the course of how things have always been done. RIAs that will thrive this year and beyond will pay attention to trends and adapt their strategies and processes for new market conditions.

RIA megatrends for 2023 fall into two main categories: **scale** and **growth**. With those themes in mind, here are 10 trends to watch for 2023.

RIAs Need to Scale Operations

1

IF A FIRM ISN'T IMPROVING, IT'S DYING

Over the past decade's market uptick, RIAs could maintain the status quo and still see great returns and strong profits. But that's no longer the case. In today's competitive market, there is **no such thing as standing still**. Firms are either moving forward or backward — there's no in between. Technology is evolving at a breakneck pace, client demands are changing, and the generational shift of wealth poses incredible opportunities. RIAs can't afford not to be adjusting and improving.

Growing and scaling often require investments in new systems and processes, which can be a tall order in uncertain economic conditions. The goal is to reach the point where the benefit and growth of implementing a new solution are greater than the cost. RIAs must always ask themselves if they have enough scale to spread out the new cost of investments and growth to continually improve and serve clients better.

2

SCALE IS ABOUT TIME, NOT METRICS

Scale has traditionally been defined by metrics, including Assets Under Management and Clients Served Per Advisor. While these KPIs provide valuable insights into a firm's capacity and workload, they no longer matter when it comes to scale.

For modern advisors, **scale means the application of time.** How are RIAs spending their time? Do those actions match your personal and firm priorities? Does how you spend your time move the needle? Scale isn't possible without properly allocating your time.

The new definition of scale will become even more important as the market continues to see a transformational change over the next decade. An RIA's efficiency and focus will become a competitive advantage and lead to a scalable, top-tier client experience.

3

ADVISORS ASSUME GREATER RESPONSIBILITY FOR CLIENTS

In 2023, RIAs have become less “financial advisors” and more general “advisors” or **all-encompassing life coaches**. Modern clients don’t compartmentalize finances, so advisors are more responsible for other areas of their clients’ lives. With this change comes increased opportunities to connect with clients in new ways and provide additional services, but it also brings increased responsibilities.

A shifting view of what it means to be a financial advisor means RIAs and firms must re-evaluate their values and processes. What brought success in the last 10 years won’t get you there in the next 10 because client expectations are evolving so quickly. Clients now want a true advisor and **partner to guide them through life’s uncertainties** to reach their financial goals.

4

THE RIA INDUSTRY HAS BEEN PROFESSIONALIZED

What used to be a cottage industry just a few decades ago is now a growing and professionalized space. Today’s financial advisors face high-stakes decisions. That means they must focus on the future instead of living in the past. The most successful firms are constantly looking ahead to ensure they can continue supporting advisors and clients.

Scale has changed dramatically and accelerated, especially as the industry has grown and gained credibility. RIA M&A was up 11% in 2022 — the tenth straight year of growth. Clearly, the industry is gaining traction as firms evolve and merge.

But for as much as the industry has grown, there is still incredible growth yet to occur. There are incredible opportunities and significant market share available for sophisticated firms of all sizes that understand the importance of the industry. To scale, **you must adjust your thinking and move from seeing financial advising as a small cottage industry to a global powerhouse** with transformative potential.

5

EFFICIENCIES COME FROM MISSION, VISION, AND VALUES

Efforts to scale all tie back to establishing a mission, vision, and values. When RIAs and firms focus on a clear purpose and culture, they can organize teams and create processes and a client experience to achieve that goal. There's a reason purpose-driven companies evolve faster than their peers: they have a guiding mission that helps them grow and scale without distraction.

It's not enough for advisors to check boxes and go through the motions. They have to **dig deep to find clarity about their mission, vision, and values.** When you understand the why behind your actions, you can align everything from the client experience to who you hire and the technology you choose around that mission. A clear mission, vision, and values also help advisors prioritize the most critical task and create a cadence of regular meetings and processes. Tasks that don't move the needle are eliminated or delegated, which provides more time to scale.

Setting Your RIA Firm Up For Growth Now and in the Future

6

BALANCING GROWTH AND EXISTING CLIENTS REQUIRES TALENT, TECHNOLOGY, AND MARKETING

As firms strive for growth, they must strike a delicate balance between serving current clients and reaching out to new ones. That difference is particularly noticeable when considering the differences between clients of today and clients of tomorrow, who are more likely to be younger, tech-savvy and have different priorities and goals.

To see sustainable growth without losing existing clients, advisors need to maximize every interaction and touchpoint of the client relationship. **Striking that balance comes down to three foundational elements:**

TALENT

Hiring and retaining great talent puts your firm in a position to give every client the time they deserve.

TECHNOLOGY

Replicate a personalized experience with technology that empowers clients and automates much of the back-office operations.

MARKETING

Existing clients can be your greatest asset in gaining referrals and sharing your firm's message. Tell your firm's story about what makes you unique.

7

ADVISORS MUST BE VULNERABLE AND AUTHENTIC

Modern clients aren't just looking for someone to manage their accounts. They want someone they can build a strong connection with and who they can trust with their finances and life goals. When asked why clients initially selected their financial advisor, the overwhelming response was that it was **someone they trusted.** Clients are **most likely to trust an advisor** who does what they say they will do, acts in the client's best interests, and makes decisions that allow the client to sleep well at night. That **requires advisors to be willing to be their true selves** instead of following a cookie-cutter approach to say what they think clients want to hear.

Advisors who aren't willing to put themselves out there in a vulnerable way and show up authentically in marketing will lose potential clients. The **data is clear**: **clients want advisors who respect them, are accessible, and showcase integrity.**

It's not just about your professional accolades; **it's about your personal connection to clients.** That authenticity and vulnerability come through in the client experience and marketing.

Taking the step into vulnerability also opens the doors for advisors to think more creatively and find new ways to connect with clients and potential clients. It's time for advisors to step out of their comfort zones and get comfortable being uncomfortable about branding and marketing and truly expressing themselves.

8

GROWTH REQUIRES TOUGH CONVERSATIONS

For the last decade in a relatively strong and steady market, advisors haven't had to have tough conversations. There weren't many difficult decisions to make or harsh realities to break to clients. But that's no longer the case. Today's **clients face real challenges and big decisions about their financial goals.** Advisors can no longer avoid having tough conversations and getting real with their clients.

Today's **financial advisors have to wear several hats, including being a therapist, counselor, and emotional coach.** The client experience goes hand in hand with having a tough conversation to understand a client's goals. To help clients reach their goals, advisors can't avoid being honest.

Those difficult conversations bring incredible opportunities for advisors who are willing to listen to clients and get uncomfortable. You have to be willing to **hone your craft and be empathetic.** It's no longer just about plugging in numbers and recommending accounts but building real, human connections with clients, even in the ups and downs of the market and their lives.

9

THE SILVER BULLET NICHE MARKET DOESN'T EXIST

As the industry grows and evolves, many advisors are having success in niche markets. Specializing in one area can lower acquisition and marketing costs and drive growth with scalable, repeatable processes. Research has found that [70% of top financial advisors] who earn $1 million or more annually focus on a particular niche.

Differentiating yourself by focusing on a niche helps RIAs stand out to attract and retain clients. But the hunt for the elusive silver bullet niche market is futile. There isn't one untapped market advisors should move to in 2023 where they will magically be met with crowds of willing new clients.

Finding a niche can still be incredibly valuable, but it isn't about the niche itself; what matters is the advisor's passion for the niche. Advisors need to find the market that makes them laser-focused on serving their clients or prospecting. It could be a certain clientele, profession, or life stage — anything from entrepreneurs to fighter pilots or teachers about to retire.

Clients can tell the difference between an advisor who is trying to tap into what they view as a profitable niche and one who is excited and passionate about that demographic. Advisors need to find what excites them and leverage that empathy to build strong client relationships. This once again plays into the trend of authenticity and vulnerability. Finding an authentic niche for the advisor goes far in driving profitability and growth.

10

SUCCESSION PLANNING FOR THE GENERATIONAL TRANSFER REQUIRES A NEW LEADERSHIP SKILL SET

Many firms focus on the generational wealth transfer that is bringing in a new wave of younger clients as older clients retire. But there's another generational transfer at play as older RIAs retire and usher in a new generation of advisors and leaders.

Many firms are now focusing on succession planning to set themselves up for long-term growth and success. **Succession planning requires proactively preparing the next generation of leaders.** Firms can't assume that great advisors will automatically make great firm leaders. Leading a firm of the future requires new skills and habits that advisors likely don't currently possess, including leadership, strategic planning, and executive management. **The firms that lean into the professionalization of the industry and realize they need to upskill their advisors in areas beyond client management will thrive.**

The pandemic was a wake-up call for many firms about their lack of succession planning. But even with an increased focus on establishing new leaders, the percentage of advisors who have confidence in the next generation's ability to take control has grown from 57% in 2019 to **68% in 2022**. With those findings in mind, researchers say that "firms need to have a rock-solid succession strategy that includes training new leaders and coaching them as they begin taking on leadership responsibilities. Firms also need managers who will lean into leadership development and succession planning. Fundamentally, greater attention to optimizing human capital leads to stronger firms and a more vibrant industry."

Although RIAs face uncharted waters in many areas, 2023 also brings incredible opportunities to scale and grow. Setting aside the challenges to focus on the opportunities presented in these 10 megatrends will help RIAs thrive. Docupace is a powerful partner for delivering a top-tier client experience with back-office optimization.

Click here to learn more about how Docupace can take your firm to the next level by setting up a free demo.