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## Europe's Advice Tools Multiply

An Overview Of Emerging Financial Planning Technology

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### EXECUTIVE SUMMARY

Existing advisor planning tool vendors extend their reach with new client wins among both European private banks and independent financial advisor (IFA) firms in the UK. New entrants challenge the established players' dominance with tools that serve the needs of specialist advice firms, mass-affluent retail firms, and high-net-worth (HNW) offerings. To choose between these vendors, finance firms must focus on their clients' needs as well as on their own requirements and decide whether an online or desktop-based tool is a more appropriate match.

### RESEARCH CATALYST

Clients requested an update on the European automated advice and financial planning landscape.

### ESTABLISHED VENDORS BUILD THEIR CLIENT BASE

In August 2003, we graded nine advisor planning tools that had live European client implementations.<sup>1</sup> Since last August, the established advisor planning vendors have continued to win clients in both the private banking and the independent advice markets.

- **Pan-European advisor planning vendors seek private banks.** Finantix launched a new solution for Standard Chartered Bank in February 2004, including browser-based access to client information and financial planning for banking and investment services. Swiss vendor Brainpower announced in June 2004 that it had won a contract with HSBC private banking in five countries, including Switzerland and the UK, to implement its Investment Intelligence tools. The Brainpower tool will support HSBC advisors and the strategy team with both fund selection and portfolio modeling. Brainpower also extended its client monitoring tools in early 2004 and won a contract with the private banking arm of Italy's Banche Popolari Unite (BPU).
- **UK tools target the IFA market.** UK IFA Group300 has adopted an advice tool from Modevo, enabling customers to gain instant online advice on investments and life insurance and to take a personal financial review. Hermes Pension Management is also implementing the tool as a defined contribution (DC) advice tool for corporate employees — for example, at mmO2 — solving the problem of how to provide low-cost access to DC pensions advice. In addition, the UK's 1st recently extended its Adviser Office platform with features like access to fund selection and trading platforms like the Abbey wrap platform and Fidelity FundsNetwork.<sup>2</sup>

## FURTHER TOOLS EMERGE FROM THE WINGS

Yet more vendor solutions are emerging in Europe, mainly from homegrown startups. As yet, few of the US-based financial planning giants have tackled the European market: Of our original list of nine vendors with European clients, only Morningstar and Monetaire were US-based. Recent new entrants include the following firms:

- **Distribution Technology links to advisor back-office software.** The UK's Distribution Technology is developing its Dynamic Planning tool for IFAs, offering advice on investments, protection, borrowing, retirement planning, and cash management. The tool has been integrated with Quay Solutions' client care software, offering 3,000 UK IFAs automated financial planning that takes up to 1 hour to complete, rather than several hours of manual work. In addition, UK financial regulator the Financial Services Authority used the tool as a model for perfect advice to test the advice given by advisors on the sale of the government-proposed stakeholder products.<sup>3</sup>
- **3Q Software Solutions builds an offering for retail finance firms.** Irish-based firm 3Q Software Solutions raised €400,000 in funding last year to develop sales and marketing in the UK and Northern Europe for its wealth and advice tool aimed at the mass-affluent market. To date, it has signed up Irish finance firm Friends First as a client; it offers the tool to IFAs distributing its investments, pensions, and protection products. The financial planning tool includes components for asset management, protection, borrowing, and cash management, as well as a module enabling online collaboration between advisor and client.
- **Accenture aims for HNW banking.** Accenture's financial services team has developed the functionality from defunct Belgian vendor Customer Dialogue Systems (CDS) into the AssetPlanner tool, which is live as a desktop solution with one European private bank. The tool is aimed as a front-end advice tool, designed to integrate with a portfolio management system for implementation at private banks.

## CHOOSE A TOOL BASED ON CLIENTS AND ACCESS

Financial services firms and advisors implementing automated financial planning compare tools' functionality — including access, integration and customization, depth of analysis, and reporting.<sup>4</sup> Firms wishing to choose between the growing range of vendor tools should evaluate these criteria against their:

- **Clients served.** Private banks serving the HNW require deep analysis, detailed portfolio reporting, a wide product scope, and easy integration with customer databases and portfolio management tools — tools like Brainpower's serve this niche. Mass-affluent

and advisor firms will restrict their focus to fewer dimensions for analysis and a narrower product range and will require clear advice outputs so that clients understand the advice given. Advisor tools from firms like 3Q Software Solutions and 1st will thrive here.

- **Required platform for access.** Retail finance firms enabling collaboration — letting both advisors and their clients review and change portfolio parameters — need client-facing tools with easy online access for both advisor and client, such as Modevo's planning tool. In contrast, many IFAs and private banks prefer to use tools that integrate with advisor desktops, accept input from client data software, alert on opportunities, and create actions for the advisor to suggest to the client, such as Finantix's Components tool.

## ENDNOTES

- <sup>1</sup> The vendors we graded in 2003 were 1st Software (now rebranded 1st); Finantix; inxsys; Infa; Logismata; Monetaire; Morningstar; Swissrisk; and theScreener.com. See the August 29, 2003, Report "Grading European Advisors' Planning Tools."
- <sup>2</sup> Australian-style wrap accounts — which aggregate independent financial advisors' (IFAs) client investments into one view and unbundle tax wrappers from underlying assets like bonds and funds — are storming the UK's retail investment market. These online accounts give IFAs — who account for 67% of UK retail fund distribution — easy portfolio reporting and simplify charging to one portfolio fee. See the August 29, 2003, Brief "UK Fund Distribution's Future Lies In Wraps."
- <sup>3</sup> Advice on government-proposed stakeholder products must be simpler, quicker, and lower-cost. The products include the cash deposit; the medium-term investment product; the smoothed investment fund; the stakeholder pension; and the child trust fund. The FSA has published the detail of this study in its Consultation Paper CP04/11.
- <sup>4</sup> When Forrester graded the nine European advisor planning tools, we evaluated 37 functionality criteria grouped into access, integration and customization, depth and scope of analysis, and reporting. In addition we also evaluated the vendors' strategy — their product direction, management commitment, executive vision, and number of partnerships — and market presence — client base, services, financial viability, and relationship with systems integrators. See the August 29, 2003, Report "Grading European Advisors' Planning Tools."