FUTURE SIGHT PODCAST

Ep.08: Democratizing Wealth

Episode Transcript

Ollie Judge: Welcome to Future Sight, a show from Capgemini Invent. I am Ollie Judge. On this show, we explore new ways for you to adapt and grow for the future in business. This week, we're talking about Democratizing Wealth Management. Wealth, traditionally, has been an industry that's been stuck in its ways. But recently, more and more products are entering the market that make managing your finances more accessible.

The big question is: has the industry actually turned a corner by allowing a more democratized approach to wealth or are the new approaches just reinforcing old methods?

Joining me on the show today, I have Pete Townsend.

Pete Townsend: I am Pete Townsend. I am a founding partner of Norio Ventures. I am an early-stage startup advisor and investor.

Ollie: And Colin Payne.

Colin Payne: I'm Colin Payne. I'm a vice-president at Capgemini Invent. I look after the global offer for next generation financial services.

Ollie: Let's get to the bottom of what wealth management actually means in the current climate. Before we kind of get into what wealth management is and the future of it and everything like that, I just want to get a good baseline of what wealth is just at a core level. And when we spoke before, you both had quite a nice way of thinking about this. So, I'm going to start off with Colin and then shift to Pete around your definitions, around what wealth is to you and how people should be thinking about it.

Colin: I mean, for me, it's broader than just money. But let's start with that. Because traditionally we've kind of thought of wealth management as the management of your assets, your cash, and your investments. But for me, it's becoming more than that, much more than that. It's really about the understanding that you can optimize what you have and get the most out of it. So, the confidence to use what you have and feel wealthy with what you have is really important for many of us now. I think increasingly in a kind of post-COVID environment that we're in, some of these things, need to be really rethought. And the banks need to adjust themselves accordingly to take account of that.

Pete: Yeah, interesting. I mean, it's like, how do you say to a bank: "Listen, take that definition of wealth management, throw it out the window?" It's hard to do that because everyone is just so used to taking how things work out there in the current world and then trying to improve on that.

And if you think about wealth management, a great example of it this morning is that, well, you've been working hard for a while before you know it, you've saved up a couple of million. I'm like, okay, who does that happen to? And then from that point, you realize that you want to make some money with your money.

So, what do you do? You hire somebody to make some money with your money, and they're also going to take some of that money on a recurring basis from your money and also the money that they make with your money, right? It's about money. Then on top of that, you got to think about, "Well, how do I protect what I built, how do I protect what it will be when it does grow if the wealth manager does what they say they're going to do?" Well, I've got to get some insurance, I've got to get some estate planning, and some taxation services. So, all these things have been bundled into what is called a wealth management product. But if you think about the way that the world works now, that definition is really outdated.

And you look at some of the requirements on the brokerage account side, and people would say, "Well, you need at least 2 to 5 million in order to even open an account." And it's just having the ability to invest, to earn more, to do better with your money, to do better, Colin like you're saying, with your disposable time rather than just your disposable income. It was a much bigger definition of wealth than what your grandfather's definition of wealth management was.

Ollie: Wealth management in the past has got kind of a bad rep because it was very tricky to get into. At one point it was a who you know, like it was your dad who spoke to his accountant who knew a financial advisor, and then that person would invite you to lunch, and you'd end up talking to them about your wealth management.

What are we looking at right now? So, what's the kind of traditional product in the market and what's coming. So, what are robo-advisors, what are these new products that are entering the market?

Colin: It's an interesting one because I think you're focused on that transition from where wealth was an elite activity. Look at actually the definition of the customer now. So, we've got, wealth, we've talked about wealth services, but the way that banks look at this is now they're segmenting more in mass affluent. So that's one element of wealth. Obviously high net worth is another element. And of course, their focused attention is on ultra-high net worth.

And that kind of tells you a little bit about where life's going. Because naturally speaking, the banks are now looking at a different segmentation for how they deliver wealth services, and the idea of using automated services for, I suppose, frictionless wealth for the lower tiers of customers looking for basic wealth services.

So, as Pete says, those abilities to invest money or to save money or to protect it, those kinds of things are, on the whole, automated through funds and other investment vehicles. And we've got loads of examples around the world that have proliferated in the last decade. And then you've got, still, the services to the elite. And I guess there is just that widening of the aperture. And I think that's kind of the biggest thing I've seen happen over the last few years. I don't know what you think, Pete?

Pete: Yeah, it definitely has opened up. I mean, 10 years ago, an individual that kind of had something trigger in their mind that said, "Listen, I'm probably spending a little bit too much of my money and I should start saving some more. And actually, if I were to look at how much I'm spending, I could probably invest a lot more than I thought I could probably save a lot more than I thought I could."

Even 10 years ago, them actually saying, "Well where do I start?" Now, because it's become a lot more common for people to invest digitally, they just ask their friends. And who are they using? What are they doing? And then you ask a few friends and then interpolate between what might be right for you, but there's still an educational process that you need to go through.

You've got that side of it, which is, the human light and looking at the different segments of the market. There was two that I was kind of focusing on, the "Henrys" are the high earners, not rich yet. And then I made up another class myself because I couldn't find any acronym for it out there.

So, the second one that I came up with was an "UMSERA" I just kind of made that up because I couldn't find a classification out there. And what it was is that it's *Upwardly Mobile, Spend Everything Right Away*. And these are the folks that will probably get some type of salary increase through a raise because they're doing well. And when you get that bump, don't go out and spend the bump, invest the bump.

And that's the idea. And how do you actually connect some of these ideas for these segments coming at it from the provider angle. From the wealth management provider to these societal ideas that are out there, obviously, you talk about Instagram, you talk about Twitter, you talk about Facebook, all these different ways to do that, to get inside people's minds a bit. But it's that conductivity point that's really important, and where it used to be just, have a look at the newspaper, I have an ad that's in front of my face, or, then move into the two thousands where it's, something's popping up on me in a banner ad on Google.

To now this really directed, focused effort, to get people thinking about, hey, it doesn't just have to be a million or 2 million or 5 million pot that you put into a brokerage account that some wealth manager is very attracted to because they're going to be able to package up different services around that as well, in terms of insurance and estate planning and so on and so forth. You can break it down into the individual components of the wealth offering and say, "How can a provider actually turn a margin on that?" is the question.

Colin: That decomposition of the offer, it's what we've seen elsewhere in banking. Right? The ability to pick off bits of the value chain, and FinTech has been masterful at doing that.

I mean, Pete, you're in a place where you're constantly looking for those new startup ideas, the ones that are going to scale and backing the ones that choose a value proposition and can identify the segment of the value and just be laser focused on that. We know the winners right and we've absolutely seen that starting in wealth now.

And I suspect, that plus open banking, open finance, which allows us to then take control of our own data as customers, suddenly you've got a lot of power, you can choose, for good and bad, actually, by the way, and what we've seen around, the meme stocks, the meme coins, this is a dangerous time as well.

So, what wealth managers really do very well actually is manage risk. You know, they're very, very good at that side of the equation. And it's the side of the equation that I think is missing. You go onto a Reddit board and of course you've got that kind of Instagram mentality, the emoji fed rockets, you know, you've got this kind of only reward-based mentality. So, the herd goes with the reward, rarely will they understand the risk. And I think this is a big missing factor and it could be one that the regulators have to plug very, very quickly. But that was the function for me. When you talk about the question of wealth, it was the trust, you could put your savings with someone you could trust, if it was a bank with a great reputation over many, many decades, or hundreds of years, in some cases, they would be ones that would look after you and they would have your longevity of your savings in mind.

Because if they've been around 300 years, they're concerned with the long game, by nature. Whereas a FinTech by nature is not concerned with the long game. They're concerned with the short to medium gain and then selling off or exiting in the way they want to. But I think, if you talk to an incumbent bank, part of what they're talking about with their customers at the moment is long-term trust and security and safety. And I think that's just a really important thing, not to forget.

Ollie: If we're talking about democratizing some of these wealth management systems and moving away from the, old big $1 million style pots that you've got to get in to get going. Let's set a three-tier sort of structure here.

You've got Reddit. And what we've been experiencing over the last few weeks with let's call it "hype-based attempts at wealth management." I'm not going to call it wealth management at all because it's gambling. And then we've got the second level, which is FinTech. And the let's call it "shiny wealth management."

The apps that say, "Hey, if you send us a hundred dollars a month, we'll do some magic, in 10 years, you'll have some money and congratulations." And then you've got the big banks that have always been around doing wealth stuff, not always at the top end, but also low end as well. But if you look at trust right now, and if we're talking about democratizing these products, there is an inherent distrust with the banks with younger generations, with lower-income areas that yes, the lower income areas are just there to be abused by banks.

So, they don't want to go there. The fintechs look friendly and Reddit looks like the power of the masses and the people that are raging against the machine on the other end. So how in this market of such chaos of understanding how to basically manage your wealth and lack of good fundamentals and understanding of markets. How do you begin to educate, how do you begin to find a foothold with a more democratized audience than you were going from that, "Oh, I've got a bunch of money, so I'll go talk to a financial advisor?" Where does that education start? And it can't just start with an app I don't think.

Pete: I think you got to start small. And take the success that Marcus has had with Goldman Sachs. I remember back in 2018 when they got that going and, it was in London and someone said, "Pete, can you try this out? I know you got a US social security number. Just to see how it works and how it looks."

And I got the account set up and, I never really used it, but the 2.6% savings rate was pretty attractive. But now, so they've gathered a bunch of customers that way, expanded the business, opening up new products. Great. It's all digital investing, digital saving, digital protecting and growing your wealth. Now that is the biggest bad boy out there on the street and Wall Street, when it comes to thinking about the old guard and the Wall Street warriors, whatever you want to call it. But they've been able to do that as a little bit of a separate brand.

Now I'm not just saying "go set up a separate brand" but I sure as heck would trust Marcus if I was going to make a deposit of a hundred grand from, an exit or something, or even 10 grands, than I would trust any number of robo-advisors that are out there. That's just how I feel about it. That being said, the ideals of folks that are 20 or 25 years younger than me, may be a little bit different.

On Reddit and GameStop and the others in the pandemonium that's been going on, it's kind of back to me about that point of disposable income. I've got, a hundred a month or 200 a month that I could just do something with, I could put into any number of areas. I could save it. I could put it into GameStop. I could go look for, well, hey, I think shopping malls are going to be the next one going through a short squeeze. So, who's the biggest shopping mall operator in the world? Put some money on that. I actually thought about that over the weekend, but you really kind of have to separate that between: okay, what is the demographic and what are their typical trust patterns? And how do they feel about where they put their money? The intergenerational gap there is quite interesting when you're thinking about this.

Colin: Yeah, I think that's a brilliant point. I don't think the research we've done anyway, supports your hypothesis, that trust has gone from banks. You kind of think, well, the financial crisis, banks are big behemoths that people don't like anymore. Well, but the behaviors, which is really what the important bit is, because people can talk about stuff on social media, or they like to. Behaviors wise, people still put their paychecks into their traditional standard national banks by the billion.

I think, as Pete says, you instinctively trust those names because of the longevity that's involved I mean the fact of the matter is we all know that they're all covered, new banks, old banks, they're covered by the same regulation, they're covered by the same protections for your deposit.

But instinctively, where would you have that conversation? And actually, interesting when we've done the research, talking about big tech, especially at the moment, especially after the last year we've had, well maybe two years with Facebook and others, that trust has eroded very, very quickly. To be honest, it's not about "Will they protect my money?" That's not really relevant, because the protection is limited by governments and by the regulation. It's really important when it comes to data.

And actually, if we're talking about wealth, really, we've got to be talking about data as well as currency, cash, assets, and investments, because the data that you have, consume and broadcast is, valuable by most standards, it has a great value. Do you trust your data to be secured by a bank or by one of the social media companies, for example? You only have to look at what happened with Telegram, Signal and the whole debacle around the WhatsApp terms and conditions, to see where people's minds are. And those migrations were generally speaking, younger people, who are extremely animated about the security of their data and their identity.

Our research indicates that most people, if they're asked who the safest, securest element for their data and identity would be as well as their cash, they tend to focus on surprising, traditional brands, I would say.

Pete: Yeah, most people, I think it's the key to that. And, I'm thinking of an individual that, I was having a similar conversation with a couple of years ago. She works for one of the big banks. She does not have an account with one of the big banks because she doesn't trust them, because they put her father out in the street after the financial crisis.

She said that was a common feeling amongst her friends, that angst that's created that lack of trust. But I think you hit the nail on the head by saying most people. So, you can go with your product target marketing, focusing on most people and that will probably do well for you, but then there is that other segment, which it may perhaps be growing in sentiment and their view of the world, that, you can put a different offer in front of. And thinking about this and looking at the players across the US and into Europe that are probably out there offering some of these digital investing services, you can start to think about the level of trust that you need to have, and that people have different demographics need to have in order to put some money with them, to get things going.

Colin: When you take a step back and you've got, some of the biggest technology providers providing the biggest businesses on the planet now, the platform businesses around, Amazon or Apple or any of these players, and interesting when you talk about Goldman's and of course, some of the work there was done with Apple on the Apple card, there's some really interesting developmental work that's going on in the fringes of the two.

So, using the old legacy businesses meeting the new, platform businesses, if you like, and with FinTech, enabling a lot of that, of course. But it's going to be interesting when you see the likes of Elon Musk getting involved in, what he now calls a joke around cryptocurrency and obviously making a decision on tagging something in his own profiles on Twitter, which can shift a market 20%.

These are pretty significant intersections of cultural trust. And it's going to be really interesting when those very, very important players start to move into the areas of wealth management spaces, which I'm pretty sure will happen. There's no question that, the likes of Apple have an intention to provide bespoke services around this. There's a whole raft of changes happening, and these are global changes. So, there's the other element of this where wealth used to be, you'd have your father's banker, you'd be in the same house that you lived in for the last six generations. And maybe you'd then go to the same bank manager or his son or whatever it might've happened. This is a longevity game. Now, that isn't so relevant for a lot of people. And of course, the decisions being made are based on totally different criteria, globally. And that, that makes a massive difference to everybody.

Ollie: So, if we're thinking about the trust with the banks or, maybe some of the younger people are attracted to newer brands but are still wary of the tech giants. Is this approach of robo-advisors and the kind of wealth products that we're seeing, actually the way that we're going to go, or is it going to be similar to other industries where a bomb is thrown right into the middle of it, and you have to start again with a completely different way of working?

So, for example, FinTech, and I've done a lot of work in FinTech. I can't remember who usually says this, but the lipstick on the pig analogy or the just digitizing the processes that were there already. So, a lot of these challenger banks and all this kind of stuff it's a bank statement with an emoji on it. It's not all that difficult. And to be honest, a lot of the functionality can be replicated from challenger bank to challenger bank, put it on banking as a service rails and off it goes. It's not that tricky, but then when a big player comes in and fundamentally changes how they use your data in a much more intelligent way, so it becomes more than just a line item and it becomes something else. Is there a form of that in wealth? Have either of you seen approaches that are moving away from essentially just digitizing your financial advisor and turning it into something a bit more that can look at more of your life to push you towards better decision-making?

Colin: I wrote a blog on it, about democratizing this whole service. And right at the beginning, I talked about wealth, not being just about the money but it's about the life that you live and how rich that is. So, I like to really mix up that terminology. And from my perspective and what we're building at the moment is the robo stuff is pretty much exactly what you say.

You're automating processes that have existed for a long time. I mean, I wrote algorithms in the eighties. In fact, my first algorithm I found from an old schoolbook from 1983. So, this has been around for a long, long time. And some of the work I've done in trading in the eighties was around algorithmic trading.

Most of the institutional work is already running that way, right. There's certainly no indication that it wouldn't then trickle down to users like us. So, I'm particularly happy to have an ISA that's self-managed for me, with an app that's very easy.

I can check all the trades that it's doing, I can adjust them if I need to on an individual basis, but actually, it does most of the legwork for me. It's based on really simple data and it's based on my risk profiles. All of the stuff that I tell it to do it does. So that's great. That's just automation.

So, what I'm hoping is they focus on serious value add, human value-add. And I really think the human context is important here. So, whilst the robots can do a whole bunch of stuff, that's mathematical, they can watch the wider markets, they can help you invest, they can help you track, but there's going to be a need to increase services that are based on your circumstances.

So, the personalization is really important. The sort of bespoke elements that you could really do with. I talk about concierge, a wealth concierge, or that ability to understand and give you services that are relevant for you at the point that you need them, because these (services) change all through life. We can have positives happen to us, the negatives, but a good wealth manager will see us through that.

It's about having someone who's going to have your back. So that story, which is unfortunately one that I've heard a lot, you know, I've heard a lot of people talk about their banks in terms of these are guys who have thrown people on the street.

They've really not been there for when the difficult times come. Well, I'll tell you what, probably all of us are looking at the economics of the next two years, and we know there's going to be issues around credit. We know there's going to be issues around debt. And these are going to hit people hard.

And we should be there for them, banks and those serving banks should be able to look at that wealth or the negative side as the positive side as well. Managing the tax issues managing the asset, managing the debt when it needs to. These are the services that require human intervention.

And the understanding and the empathy, all those kinds of great things that we know, automation can't do, understanding the real story behind the problems and the real benefits to be delivered. I think that's where maybe wealth needs to proliferate in those areas.

Pete: There's a couple of ideas there and if you step through the different levels of wealth management services, the different components of wealth management services, or how it had been traditionally packaged, can you automate investing? You absolutely can. You can take somebody's risk profile. You can, use that to then determine an investment allocation across different asset classes. Great, obviously driven by someone's risk appetite.

Can you then take some estate planning, insurance? Probably insurance more than estate planning that you can do on an automated basis, right? Looking at someone's complete financial profile and where some of the gaps are. I know a couple of providers who were working on that years ago, and there are good examples of that out there in the market. Estate planning is more difficult setting up trusts for the kiddies. When you are at that level, more difficult, obviously.

Taking a step back, like you said, the things that you can't automate are things such as instinct and intuition. Those are the two big eyes out of the three eyes. Third, one being intelligence. You can obviously automate intelligence. AI does that, but not to it. That's a whole different bag of tricks, but the instinct and the intuition those are two things that are human in nature that are really, really hard to automate. And when you have someone that's looking after a big chunk of your money, you kind of want that instinct and intuition to be able to provide you with some guidance. And that is really hard to automate. But, given that we're talking about kind of saying, well, let's move this away from wealth management and the old school of that into, what is your relationship with your money?

And how can we make these types of services available to everybody? If you look at some of the bigger players in the US, Betterment, Wealth Front, SoFi.

SoFi especially, they started with student loans, making it easier to manage those. And then they added on insurance product. They added on a debit card, current account, checking account type service, investing. They do crypto now as well. Betterment, Wealthfront don't do crypto yet. But they do all of those other things. And they're saying, what is the complete view of your financial life? And let's completely automate that and make it available to folks that don't have a million to put into the pot.

To your point about the trust there, would I trust Betterment and Wealthfront? Yeah. You know what? They've been around 10 years, each of them is looking after 15, 20 billion worth of assets. That works for me. But the thing is, I'm kind of an insider, given that I've been in this industry for so long, what's interesting is how you actually parlay the trust that experts have within an industry into trust for the masses.

And say that, how do you get these stories out that say, well, this is why I would be comfortable, building up a pot of 10 to 20, to a hundred thousand, in something like a Betterment or Wealthfront versus doing that through a bank. On your point, Colin, on the tech companies, and big tech, I think, you know, this. It just goes a bit unsaid is that they have far more data on all of us than any bank would ever have. And it's the double-edged sword of trust. Do you want to give them more firepower by giving them your financial life, based on what they can do with that data?

Or are you saying, listen, they are the most valuable companies in the world, I kind of feel like that money's safe with them. There's two parts of that, that are both prickly. We'll see where that goes with the big tech players, and financial services. That's been a topic of debate for a number of years now. Slowly by slowly, bit by bit, they're adding on these services. I think it's only a matter of time.

Ollie: I want to talk about organizations that you think maybe could enter this space that haven't already, I quite like your example of SoFi then starting with student loans and then building it up. A lot of the companies out there at the moment, like Revolut or Cash App, they allow you to enter the meme economy quite easily. You jump on and you sign up for an account. Off you go, you're already in this sort of new wealth world.

Maybe they're better positioned to educate and build people onto your wealth platform than some of the pre-established players that have already been there before, because at a more cellular level to the user, they're working with them on a day-to-day basis. If your student loan is already with someone or the transactions that you're sending between friends and family, that transaction into wealth management just becomes like another friend that you're sending money instead of having to talk about risk profiles.

For example, when you sign up for Wealthsimple, the first thing that it suggests is that you put in a thousand pounds a month in the UK. That's how much it's expecting people to look at. But if you're trying to democratize wealth, as you said earlier on, people might have a hundred dollars that they can spend, maybe not a thousand, so that Cash App does a sort of like lower barrier to entry might be a lot better positioned for, a more transactional app to gently nudge you in that direction.

Are there any organizations at the moment that you think are well-positioned to move into this space that haven't already, or maybe you've heard rumblings that they might do? And that could do more interesting things than, what we've got in the market at the moment?

Pete: It's the angle of attack, and there's an organization that hopefully a lot of people have heard of, just to be transparent, I'm an advisor to them. They're called Olivia AI. And they started with AI obviously and saying let's start with money data with bank account data. And they came out of Brazil.

And they're taking in bank data and turning that into nudges. How to spend better? How to save better? That's their entry point to the market, right? Because once you perfect that, and you can get a lot of insights, it's a, you know, B2B2C product. Once you can give people those insights, every day and get them to use the app, then the opportunities to open up, offering other financial services, obviously under regulatory umbrellas that they need, that field is wide open.

So, if someone like Olivia who have gone from Brazil to the US and then went Ireland can do this, obviously they're still growing. Then what could someone who already has AI and, with that being a big, big umbrella term for a lot of different technologies who has AI, coming out the nose? What might they be able to do as an entry point to providing you with financial services now? I mean, we talked about big tech. They're all going to have a lot of those capabilities themselves. Looking at it from the perspective of the players who are out there already, that folks do know more about like a Revolut, like you said.

Yeah, I mean, they're bundling things together, left, right and center now. You can easily move from investing in stocks to investing in crypto. And looking at your savings, looking at your spending, getting insurance. I think they're also now doing some subscription-based insights to say that you have all these different subscriptions to these things you're not using anymore, how about we get rid of them?

I'm sure soon enough they're going to be bundling mobile Wi-Fi, other subscription-based services, and package that up and say with your Revolut metal subscription, you'll be able to get your Wi-Fi and your mobile covered. What will that do from the perspective of, moving some of these wealth services along a line of growth and development?

I don't know. But it's all about your relationship with your money and who can serve you the best with that. At some point, if someone's only putting a thousand a month into a wealth account or savings account or investing account, their need for things such as estate planning and taxation services isn't that credible, right?

When they do get up to higher wealth levels, they're going to need that. Folks like Revolut do grow. Folks like Starling bank to grow. They have an integration with Nutmeg now. Will you grow with your customers, like boy bands do, where they change the sound of their music every few years as their fans get a bit older.

Colin: A long time ago, I worked with the Ministry of Sound, which is a club in the UK if you don't know it. They had a problem in that they had this club, and they had this brand in the nineties that was really, really strong and they didn't know what to do with it.

And they asked me to look at their marketing strategy for the new brand. And funnily enough, we took that attitude, we said well you know these early adopters who were clubbers like me in the late eighties, early nineties, of course they're growing up now. So, we may not go to the club in South London, but we love the music.

So obviously you're going to do compilations of the music. So that started, and then you got the Ministry of Sound compilations, but then they started thinking about other offers and it was kind of insurance they were onto. And it was really strange when I look back now, this is 20 years ago, so it's a little while, but they were trying to get their lifestyle, tracking it through their full life, and what they would end up needing. And would the brand be relevant? And I guess that's what it is. Is banking going to turn into really a brand-based exercise? I suspect it might do because the brands, what they represent currently, going back to the point, we were talking about trust and legacy, and the opposite of that, a double-edged sword, they represent so much to people.

When you talk about a bank brand, there's good and bad. And of course, there is for most brands, but when you then talk about the more modern brands, the influencing brands, the luxury brands. I'd worked with Apple in the nineties, and then when it turned into the new Apple, which was the luxury brand, rather than the PC or the machines themselves suddenly it became platform-based and selling a dream, selling this notion of quality and that applies to anything.

It doesn't matter whether it's ear buds, a piece of software or a download it doesn't really matter because the brand is what's important there. And I suspect, possibly as wealth becomes more of a mass application, if you like. So as more people consume of and I think, I don't know whether it's helpful to think of this current kind of crop of Reddit investment as being part of wealth or not.

I think you're right, it's more gambling than anything else is, it's really more like going to a casino. It's not really anything beyond that because there's nothing underpinning it beyond that in terms of value. Wealth is kind of the antithesis to that. It's about thinking twice about what you do with your money, protecting it, protecting your valuable assets, and treating them with respect rather than well, it's only a hundred dollars. If I lose it, I'll lose it. I might as well put it on black. It doesn't really matter. I think that's a mentality thing. One of the things, I really hope is that wealth management as a service, that empathy of the human nature of it; it's about looking after people it's caring.

And if we have a society, which is purely based on, I've got to say greed, because honestly, I don't really feel that side of investment is anything but greed or greed motivated. I know there's a whole movement about, you know, socking it to the man and, taking out the banks, taking out the hedge funds.

But we all know that's slightly fantastical. And actually, when you dig a little bit deeper into some of these groups, maybe it's not quite as black and white as that. So maybe there's room for just caring about society and bringing everyone's wealth up. You know, in a rising tide, all boats rise, yeah. So, can't we get the tide to rise rather than just the individual boat? I wonder if there's something in that for the companies we work with to think about, because I think that's actually a FinTech aspiration as well.

Ollie: So, can you actually create value for all parts of the food chain? It seems that a lot of these products are built to try and incentivize you when you don't have a lot of money to put money in there. If you look at a lot of them, they're very referral, program heavy, as soon as you sign up, even if you can't put in money, it's like: "Refer it to five of your friends."

And to me, it almost seems like gambling from the company's perspective. It's like, okay, well, if we can convince 17 of these low-income people, maybe three of them will end up with the million-dollar pot in 10 years. Is the current approach actually servicing everyone, or is it just trying to get you into a system to push you towards some of the big stuff? I don't know whether you've seen any companies that are making progress with more of a day-to-day, month-to-month, year-to-year focus, rather than a really long-term wealth strategy? Colin, as you said, wealth, isn't just your balance, it's the balance of how you've experienced your life. And for a lot of people, your life isn't waiting 20 years for something to happen, it's: "What can I do next year?"

Colin: I always prefer the wisdom of my elders. And my dad used to say to me, your shroud doesn't have pockets. And that's very true. In other words, you can't take it with you, right? So, actually your balance is neither here nor there at the end of the day it's how rich you've lived your life.

It's really interesting. You used, the opportunity to get millions at the end. I mean, I don't know whether you guys have seen Millions, which just launched and got $3 million backing it, this new FinTech, which essentially, really is like a coupon based FinTech. All it's really foundational is to go out to social media and give money away. So, it's giving the investor's money away now. The first $3 million seed funding is being given away as a prize in various packets. I mean, it's the antithesis of what I think about when I think about where it should be going.

Maybe that's an age thing, I'm not that profile of someone in their twenties who is kind of really adopting this as a native now, of course I was a fairly early adopter and I've been in the business for a long time. For my age and my demographic and my experience, it's not my thing to be putting some money into Millions and getting a few coupons back for a few likes and a few referrals. I do genuinely think that there are people doing great stuff. And again, we go back to that point about wealth originally was an intergenerational discussion.

It was about ensuring family wealth was preserved and was managed down through the ages. We live in a world that really doesn't necessarily have that focus at the moment. It's very short term and I don't know whether that's a good thing or a bad thing, but it is what it is. And I think wealth is not about that. But what it can't do is then live on the laurels of the past. There've been a couple of examples recently of banks rebranding themselves, their wealth elements, using that really traditional font style, the traditional imagery. I won't name names, but there've been some that have launched that have been spectacular failures because they haven't quite got the zeitgeist at all. In fact, they haven't even got it near. So, you've got to be really careful how you position it. It's quite a tricky one actually. It's not easy, wealth.

Pete: No, no. I think we have to realize, and for those providers that are looking at how can they monetize this? Cause that's what it's about for them in the short term, greed is good. Gordon Gecko, 1987, it's come back to life again. But when you think about how you actually acknowledge that there are other ways in which people want to express themselves with their money, and that perhaps seek a longer-term return on that. You curate it. Curate the heck out of it. Who is going to be that provider that can give you that gateway and that entry point to all of these different options for how you may be able to generate some wealth, whether that be monetary wealth or whether that be spiritual wealth for that matter, and give you a view of all that? Knowing that no single provider can do all of this; could Betterment Wealthfront and SoFi step up and do some of these things you're talking about, Colin? No, they're not going to see enough of a market there and it takes them too far off of their product roadmap.

But could someone else come in as a layer on top of that and say, "We're going to provide you with access to these different levels and then report on all of that back to you" and perhaps throw some other offers your way as well, for reward points, loyalty points, those types of things. I think that's the way this is headed.

And I think that also gives the traditional providers the opportunity to plug into these curation levels as we call them through API. And I'm oversimplifying that because it's not easy. Seeing how players like Invest Cloud are doing this and enabling the traditional players and even some new players as well to up their game with regards to how they plug into the API economy really. I think that's going to be interesting to see, and I'm all about curating, all about someone giving me a gateway and an entry point. That's what I really like.

Ollie: We've got all of these companies thinking about moving into the wealth space, and I think between the three of us, we've seen every different size of company and startup and large incumbent try and make a gamble for this. So, talking about big tech companies or fitness companies, or more lifestyle companies that have information that's beyond just what's going in and out of your bank account, it's also your lifestyle.

And then you have banks that are now trying to put a bit of a FinTech shine on their wealth product. You've both spoken to me about duds when someone's brought something to market and has completely failed. What are the biggest mistakes and assumptions, maybe some red flag buzzwords that you see banded around that you'd be like, okay, if I hear that running for the hills? What are the big red flags for you guys or mistakes that you see people make?

Pete: Yeah, I remember going back to 2018 in London, sitting on the tube and I won't give them a name, it was just one of the big banks that had their wealth product. And it was a new app. It was supposed to be all wonderful, shiny, like you said. And I think they were going for maybe about a year before they shut down because they were advertising on tubes.

It was basically talking about wealth and getting closer to your wealth and it's like, well, how do you actually gather a bunch of customers that way? Advertising on the tube for the masses when the only folks that can actually make use of those services are mass affluent.

You're just not going to get that many people that way. And that was only up and running for a little while. And I think it really comes back to the target market. How are you going to gather users? What offer are you going to put in front of them? And I think that the age old is like you said, Ollie, the lipstick on a pig.

Just take the current service and wrap a little bit of a digital feeling around it and then say, "Hey, we got an app." One provider that I'm quite familiar with because I have an account there, their app is clearly just their mobile website. It's all it is. Because you got to use your fingers to zoom in and out of things. And it just doesn't feel right. So obviously, focus on design, focus on user experience. Those things are critical.

Colin: I'm in the consultancy business so I'm king of buzzwords. When I hear people talk about hyper personalization or segment of one. These kinds of things. When it comes to wealth, I'm like, you know what, if you want a segment of one, you need to hire yourself a professional wealth manager who has you as a client and pay them accordingly.

Because it's not going to happen in most of the digital offers. And I don't know whether you actually need to be and need to have that. The failures that I've seen have over-complicated what the offer needs to be.

I think if you can get some control of your pension, some control of your investments, in your savings and have those all presented to you as a dashboard, where you can understand the data and you can optimize it with some good advice. That's what's great when it works. When it doesn't work is when you're being sold a dream or you're being sold, an example of over complication of a fairly simple process, almost for the sake of it.

Pete: Yeah. Yeah. I heard someone say the other day, again, with some made-up words like that, I really enjoy doing myself, obviously. "In this world, there are simplifiers and *complexifiers*, so be a simplifier." It's absolutely so true. And think like a startup, go back to first principles, keep your client acquisition costs low, keep your LTV high, your lifetime value. And you don't just do that overnight.

You start with a simple product, you put it in front of people, you gain trust, you gather users. Easier said than done and you expand the relationship. With things that are relevant, how many adjacent problems can you solve for somebody? Again, I'm oversimplifying this, but that's my credo.

Colin: The incumbent banks are in the perfect position to take advantage of this particular wave. But then when you see them doing these target on things that are a little bit strange, you kind of think, well, you've got all the services, you've got all the products, you've got all the rails, you've got everything there to make it easier than anybody else. And yet, you still have the governance that makes it overly complex.

So, I've seen plenty of examples of that kind of thinking. And I just wish Pete, that these guys would take that credo in actually of truly being simple and truly being present in what they're trying to think about for the wealth market in the future.

There's going to be a sustainability angle to all of this as well. So, how is wealth going to play into that field as well, how's it going to impact investing? Those kinds of things are going to be really important, transient risk, all those kinds of elements that are important to asset management.

That's going to be a really, really big area of focus for banks and the regulators as well as customers. So that's going to drive a lot behavior change as well.

Pete: Oh, yeah. Risk models as we know them today and governance models, as we know them today, just can't handle sustainability. ESG is a wider thing. There's a lot of work to do there. And do you have some ESG scores that pop up on your dashboard and say, do you really want to put your money here?

Colin: People love the idea of being able to flick between what's the view of wealth or transactions or whatever, it might be over to a view of impact.

That kind of view is something wealth providers could really be good at. And that would give them a lot of data, which is really valuable as well. And actually, maybe turn them into, rather than being the pariahs of the world maybe actually give them a purpose, which is elevating them back to where banking used to be, which was about providing the foundation for trade and development and progression for the future.

Ollie: As we look to the future, it seems our definition of wealth is changing. The tools of the future will be more rooted in your lifestyle choices over just ensuring a monetary return. Wealth means different things to different parts of the society and products will need to adapt to these changes.

Big thank you to Pete and Colin. You can find out more about them and their work in the show notes. If you've enjoyed this episode, please make sure you subscribe on Apple Podcasts, Spotify or wherever you find your podcasts. This podcast was brought to you by Capgemini Invent. We'll see you soon.

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