

P E R S P E C T I V E

Virtual Financial Advice



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General Facts on Financial Advice

Financial advisory is a latent and fast growing business. Financial planning has been rated as one of the best jobs in America by publications such as the Jobs Rated Almanac. Whilst planning for the future, individuals are hampered by their lack of financial knowledge, paucity of time, and emotional bias towards certain investments. Hence, they seek qualified professionals who can provide sound financial advice.

According to the Certified Financial Planner Board of Standards, Inc. survey, in July 2010, 28 percent of Americans consulted with financial professionals during the first two years of financial crisis to seek the advice on investments. About 31 percent of Americans, who began consulting financial planners since the crisis, said that financial guidance was needed more in difficult times. About 43 percent of Americans think that financial planners have become more important after the crisis, compared to just 14 percent who say the opposite. The major financial planning objectives of Americans include retirement goals and planning (30 percent), education funding (25 percent) and savings goals and planning (23 percent).

What is Virtual Financial Advice?

Finding the right financial planning advisor is quite challenging for mass affluent customers. Most people mistakenly believe that financial planning is only for the wealthy. Often, they find it difficult to identify a financial advisor whom they can trust. Although there are many worth-while investment options in the financial market, the cost of a good financial advisor might outweigh the additional gains that he or she might bring.

The traditional way of seeking financial advice is to interact directly with financial advisors, typically a 'refer and follow up' process. Investors can also attend events and seminars conducted by experts on various financial subjects. These events give the man opportunity to interact not only with financial experts, but also with other investors having similar financial goals.

But, for those investors who hesitate to share their financial situation in person or don't have the time to visit an investment advisor, online or virtual financial advisory services might just be the answer. By using these services, which are available online at all times, investors can listen to experts and pose questions to them without leaving the comfort of their office or home. Further, they can book appointments online for a subsequent discussion with an advisor via video conference, and should the concerned person be busy, connect with an alternative advisor using the same facility. What's more, they can also build an online community of fellow investors and continue to engage with them over email, online chat and discussion forums. The best part is that they need to spend very little on all this.

Benefits for Customers, Financial Institutions and Financial Advisors

Virtual financial advisory services create a win-win scenario for all participants.

Besides being able to do all the things discussed in the preceding section, investors get a chance to assess the credentials, style, and working philosophy of a potential professional advisor, which will help them to identify the one who can take them to their individual financial goals.

Banks are able to retain existing customers, acquire new ones, and thereby discover new revenue realization opportunities by providing value addition to customers.

Financial advisors are able to reach a wide online audience, and perhaps convert some listeners into regular clients.

Scope of Virtual Financial Advice

According to Internet World Stats of March 2011, approximately 30 percent of the world population has Internet access. As per ITU's statistics of October 2010, the penetration of mobile networks is over 90 percent of global population. There are 2,700 households in the U.S. with over \$100 million in investible surplus. With the help of the Internet and mobile service

providers, financial institutions can not only guide the investments of their mass affluent customers but also their philanthropic activities. At the other end of the spectrum, companies like HelloWallet make low cost financial advice available to investors through their employers. HelloWallet and other philanthropic organizations also donate similar services to poor customers.

Institutions Adopting the “Virtual Financial Advice” Concept

According to a Reuters report, Dutch banking group **ABN Amro** has set up a virtual financial advice center in Second Life, the Internet-based role playing game with a real economy. The center resembles the Dutch bank’s real-life outlets and offers online citizens financial advice.

Bank of America, Charlotte, N.C. is converting about a dozen branches in and around Washington and Los Angeles into “speciality stores”. The stores will have advisors who can offer guidance on mortgage, investment and small business issues either onsite or through video conferencing. Should a particular advisor be busy, the investor can connect with another rather than wait in line.

In May 2009, **GoSimplifi.com** launched a virtual financial advisor “Sophie” on its website. This advisor guides the investor through an online financial planning process. Once the financial plan is made, Sophie sends reminders to enable investors to stay on track and manage their money effectively.

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Going Ahead

With the arrival of Smartphones and growing population of Mobile users, financial institutions

have the option of providing advisory services through mobile applications. This will further improve investor convenience and access to financial advice. For institutions, this is an opportunity to increase the customer base.

Going forward, professional advisors may also provide financial advice to clients over social media sites. Like-minded investors can form online communities to network and exchange ideas. That being said, several regulatory and security issues must be addressed before these ideas become reality.

In future, financial institutions could create an online financial advisory service through which investors might be able to discuss their financial plans with peers and financial advisors online through the medium of chat.

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