

P E R S P E C T I V E

Financial Planning Services



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Traditionally, banks were defined as financial institutions for safe custody, loan, exchange or issue of money for the extension of credit and for facilitating transmission of funds. While these remain as the core services offered, a host of additional services have come under the ambit of revenue generating avenues for banks.

Under the wealth management space, banks extended their business by offering bank-owned and third party products to their clients. The demand for advisory services has also risen in recent times post the global financial crisis as customers seek investment guidance in difficult times. Today, financial planning services are offered by most banks in the wealth management domain. This extension of banking services makes logical sense since banks aim at providing holistic solutions to all financial needs of their customers.

How Offering Financial Planning Services is Beneficial to Banks

Stronger Client-Advisor Relationship

A strong financial planning platform enables the bank in building stronger relationships with their client. Financial planning involves a deep understanding of the clients' asset, liabilities, incomes, expenses, risk profile and goals. A strong client-bank relationship ensures loyalty, as the customer is less likely to switch banks and start the financial planning relationship afresh.

Customized Services to the Clients

Banks sit on a wealth of customer data which can be mined to determine what products can be offered to clients. A sound understanding of the customers' financials enables the bank to customize their offering. In-depth knowledge of each client's needs and aspirations facilitates effective customer segmentation resulting in targeted and structured client communication. Banks can hence realize greater revenue through targeted campaigns based on the customer requirements.

Increase in Revenue Share per Client

Banks earn revenues from transaction fee as well as advisory fee. Banks have made an effort

in moving from transaction-based banking model to a combination of transaction & relationship based fee model. A strong advisory relationship with the clients also increases the transaction fee earned from each customer on account of increased business through the bank.

Key Trends in Financial Planning

Alternate Channels

A financial planning system should have the capability to allow capture of financial and non financial data of the customer, administer risk profiling, capture and plan for different goals and enable portfolio management of the client. Financial planning process is a consultative process between a certified financial planning advisor and the client. Once the financial plan is drawn out and decided between the parties, it is tracked by the advisor for any deviations. While face to face meetings might be required from time to time, the banks are encouraging customers to use non-branch channels to meet their banking and wealth management needs.

Online Financial Advisory Services

Consumers value online banking features that address their communication needs and offer personalized experiences. Providing online access to clients to their financial planning account is an important requirement of a financial planning system. This enables the client to track their investment and financial goals independently. This can be extended to providing an advisor interface to the clients. The client interaction with the advisor can be provided through audio/video support. Access to research reports, videos of financial expert seminars/talks can also be provided to the clients through their online financial planning account.

Online service channels aim at bringing the branch experience to online banking. Banks can maximize their revenue earning potential by tapping into mass affluent client base. While High Net Worth and Ultra High Net Worth Individuals require highly customized solutions and personalized financial advice, the financial planning needs of the mass affluent customer can be effectively met through online financial advisory services offered by banks.

Mobile Financial Planning Applications for Clients

There has been a strong growth in the use of mobile applications by smart phone users across the globe. However, introduction of mobile applications in the financial planning and wealth management space has been slow owing to various reasons. Ensuring adequate level of security is one of the key challenges for firms while introducing mobile apps for clients. Financial planning and wealth management firms are however realizing the potential of apps in engaging clients and offering a more meaningful experience. Clients are also demanding new communication channels, more information and ready access to their accounts. Mobile apps in the financial planning domain would enable clients to track their portfolios, goals, provide access to research reports, market news etc.

Mobile Financial Planning Applications for Advisors

Access to business applications through their mobile devices is a new trend gaining significance in today's technology driven world. Mobile financial planning apps enable the advisor to access the same functionality on the go which can be accessed while in office. This could include access to client accounts, interacting with clients etc.

Behavioral Finance

Behavioral economics combines the twin disciplines of psychology and economics to explain why and how people make seemingly irrational or illogical decisions when they spend,

invest, save, and borrow money.' Belsky and Gilovich (1999)

Behavioral finance is gaining significant importance with bankers and wealth managers. Advisors can use aspects of this new and evolving discipline to gain a deeper understanding of the client before offering investment advice. Understanding the financial goals of clients is a key element in creation of the financial plan. It is essential for the advisor to understand the emotions behind the goals to effectively offer investment advice. Applying principals of behavioral finance to financial planning can help create strong and healthy advisory relationships with clients.

Banks offering advisory services as part of their wealth management division can create long lasting relations with clients leading to increased revenue realization per customer. Banks need to adopt new technology in this domain in order to offer financial planning solutions which are relevant to their clients. The need of the hour is to equip the financial advisors with the tools, applications and knowledge which would enable them to service their clients effectively. Enabling clients to communicate and interact with the advisors using new and alternate channels would also strengthen their financial planning offering.

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