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The new hybrid advice: how digital services are helping investors work towards their financial goals



The message is the same but the medium is changing – it's not just younger investors who are driving the transformation, says US-based Kelli Keough, Head of Product, J.P. Morgan U.S. Wealth Management.

Retirement can be a simple concept yet it presents a complex financial challenge.

Retirees don't know exactly how long they'll live or how their needs will change through retirement. They face a vast array of investment product choices, many of which rely on market returns that can be volatile.

There's no one simple answer, but there is a path to finding an appropriate financial strategy. Hybrid advice - advice delivered by people, in partnership with digital - creates options that are improving the quality, efficiency and reach of financial advice.

Hybrid advice is now commonplace and easily accessible to Americans, including those who may have less money than what could typically be required to work with a financial adviser.

A natural fit with retirement

Australia might have an even more pressing need for hybrid advice. Australia has a smaller population than the US (26 million versus 332 million), but it has a more pervasive retirement system.

Mandatory superannuation has resulted in most of the population sharing in at least a little of \$3.3 trillion in total retirement savings.

They need good financial advice, yet a dwindling adviser population of almost [16,000](#)¹ will never be able to serve millions of Australians in-person. The digital foundation that underpins a hybrid approach means they don't need to. The challenge is often more cultural than technical, but this is changing quickly.

The efficiency benefits of incorporating a digital component of advice, which can extend its reach, is compelling for major retirement players serving hundreds of thousands of people. A significant number of super funds are now bolstering their digital advice capabilities to complement their traditional in-person advisers.

A similar trend is also underway in the US where the super fund equivalent - 401(k) plans - are overseen by a recordkeeper, which tracks the plan's assets. Some recordkeepers are offering digital tools to better engage investors, and some partner with external financial advisers who will offer a managed portfolio for a fee.

But digital is also an opportunity for wealth managers, who are tasked with helping investors prepare for retirement. In the US, investors no longer need to meet with their financial adviser in person if they don't want to. They can receive advice, educational resources and tools digitally. And it's the combination of in-person and digital that is often beneficial.

Clients' financial goals and personal goals are so often intertwined, so financial planning and preparing for retirement can be emotional. It's important for clients to be able to work with wealth management professionals in a way that's most comfortable to them. Some firms now offer a full spectrum of ways to engage, from self-directed online investing, to remote advice letting clients interact with an advisor over video or phone and digitally, to full-service in-person advice. This lets clients engage how they want, but also expands accessibility across clients' levels of wealth with different product offerings, costs and account minimums.

US financial institutions that also offer wealth management services create an opportunity for more holistic wealth planning, with the benefits of a client's banking, borrowing and investing all in one place.

¹The October Cliff: Adviser Numbers Tumble Again - Adviser Ratings. (2022, October 26). Retrieved from [here](#).

Digital strengthens the role of in-person advisers

Digital tools have obvious benefits for financial planning professionals and clients themselves.

Digital services can free up the time of traditional in-person advisers who work with high-net-worth clients, taking the weight of administrative tasks so they can focus on building a stronger relationship with clients and helping them with complex issues. Digital can also help advisers deliver personalized insights and content to clients. This enhances the client experience.

And since people often still want someone to validate their decisions or to work through the emotional elements of managing money, it's the combination of digital and in-person advice that can be so beneficial to clients across the wealth spectrum.

Investors who interact digitally and work with an adviser have higher satisfaction than those who work solely with an adviser, according to J.P Morgan data.

Clients across age groups and wealth levels are more comfortable with digital tools now. It's now well known that the COVID-19 pandemic [sped up the adoption of digital services](#) by several years, including among older generations. This has made clients more comfortable with hybrid advice, but has also made high-net-worth and ultra-high-net-worth clients working with a full-service adviser more comfortable handling some things digitally, such as signing documents or depositing checks. Clients across the wealth spectrum, from those who have just started investing to those who are ultra-high-net-worth, are embracing digital.



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Extending the reach of advice

At one time investors at the beginning of their wealth journey and those who didn't have enough assets were cut out from advice due to cost and account minimum barriers. Now they can access it through offerings such as remote advice, which is typically a more affordable option. Digital is even more important when clients are interacting with advisers over video or phone, rather than in-person with an adviser.

Digital also helps create resources for those who might not yet be comfortable working with an adviser in-person. They might be more comfortable engaging from the comfort of their home or starting to invest a small amount on their own. This is when online education resources are so important.

J.P. Morgan research has shown that some investors use self-directed digital tools partly to educate themselves. They want help but may not feel ready to see an adviser - the digital world can provide a more comfortable starting point to making more informed financial decisions.

Digital tools can help clients and their adviser collaborate, and they can give clients helpful insight into their spending and budgeting. They can also help educate clients and help them make more informed financial decisions.

Hybrid combinations of digital and in-person advice are creating tailored solutions that are meeting the disparate needs and growing demand of investors.

Digital services in advice will not tell clients exactly how long they'll live but will get them a step closer to get the financial advice they need to plan for it.

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