

The rise of the machines

Vanguard case study

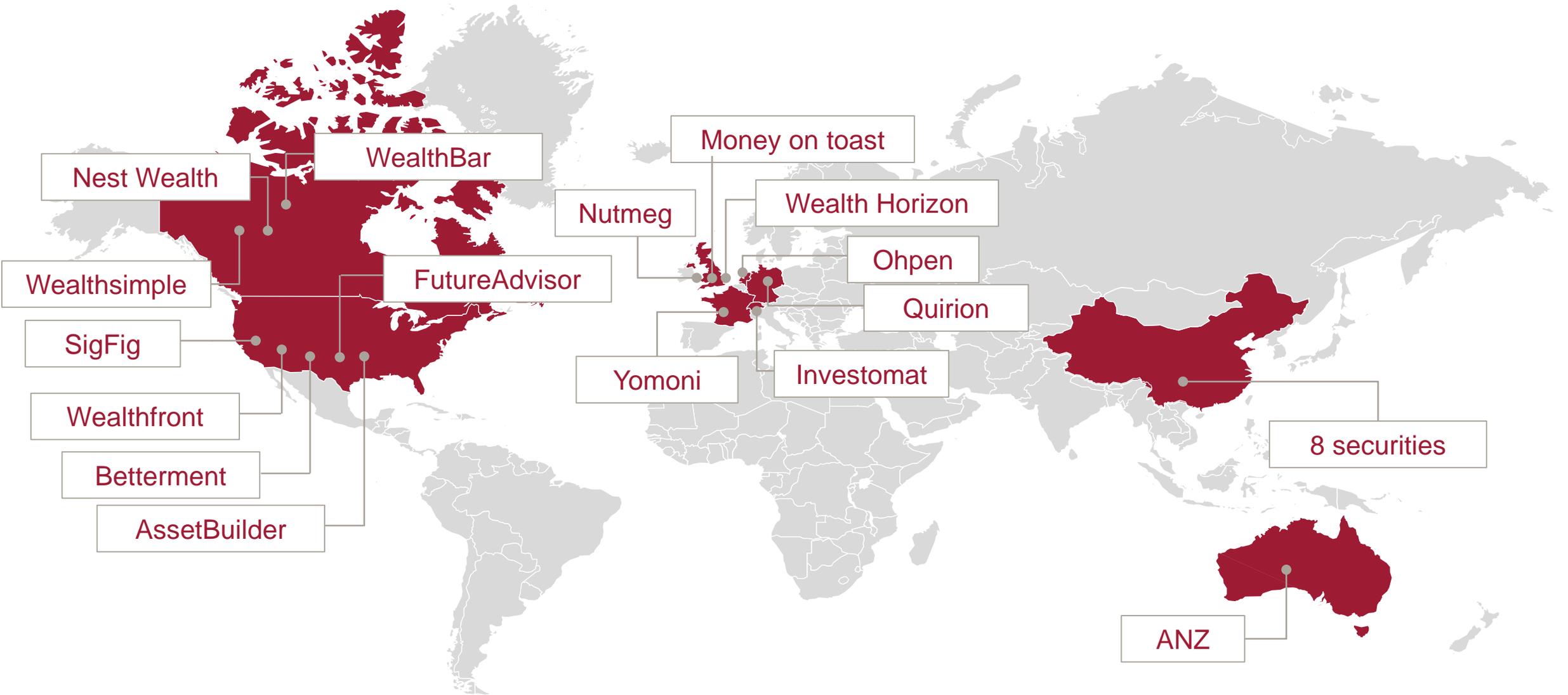
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Vanguard

A global proposition



What do they offer?

Most offer:

1. Online risk tolerance questionnaire
2. Portfolio recommendation
3. Automatic rebalancing

Some specialised features

- Tax-loss harvesting
- Direct indexing
- Single-stock diversification service

The top robo advice firms offer low-cost, fully automated, discretionary investment advice and continue to evolve



FINANCIAL
ADVISOR
-
SPEED
DATING



EVERY SATURDAY AT 2PM



Vanguard's Response Personal Advisor Services: Case Study

Case study: how are they doing it in the US?

Historic advice offer at Vanguard

Advice Services Group

Situational Advice &
Financial Planning

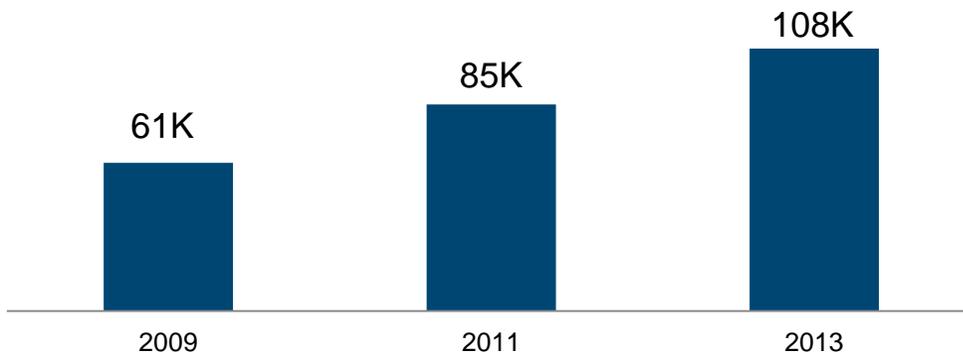
*Complimentary for
clients with over \$500K in assets*

Asset Management Services

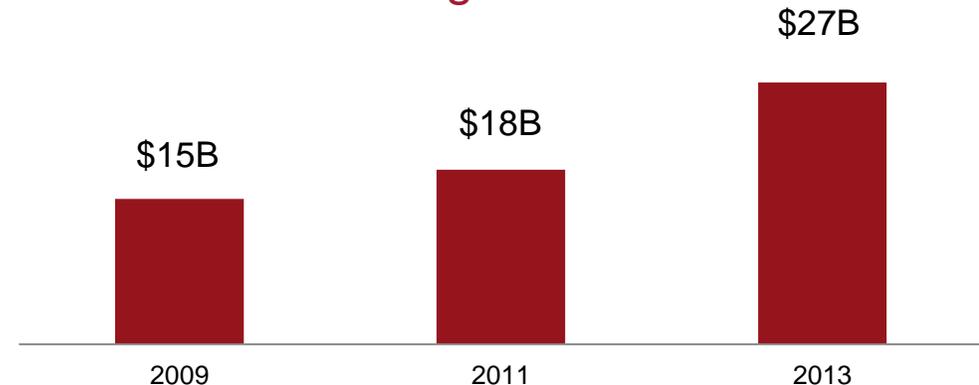
Ongoing Discretionary
Wealth Management

*Available for a fee to clients with
over \$500K in assets*

Annual advice engagements



Assets under management



Source: Vanguard.

Available to US investors only. These services are not available in the UK and are being used for illustrative purposes only.

Case study: how are they doing it in the US?

US retail market overview

**Industry
MF & ETF Assets**
(Retail Investor Total)

\$8.8 T

**Self-
Directed**
(30%)

Advised
(70%)

**Vanguard
MF & ETF Assets**
(Retail Investor Group Total)

\$1.0 T

**Self-
Directed**
(98%)

Advised

**Vanguard
Market Share**
(Retail Investor Group)

37%
(Self-directed)

0.4%
(Advised)

Case study: how are they doing it in the US?

Our research shows many clients need and can benefit from advice

Clients who find
advice appealing



Clients who will
pay for advice



Direct competitors'
managed assets¹



Value-add
of advice²



¹ As of 31 December 2014.

² Source: Francis M. Kinniry Jr., Colleen M. Jaconetti, michael A. DiJoseph, and Yan Zilbering, March 2014. *Putting a value on your value: Quantifying Vanguard Advisor's Alpha*.

Case study: how are they doing it in the US?

US personal advisor services

- Available to direct clients with \$50K or more in assets
- Priced at 30 bps

Built around client requirements



- Goals-based planning
- Client-level tax efficiency

Access to financial advisers



- Real advisers
- Virtual offices
- Behavioural coaching

Technology



- Personalised web pages
- Portfolio analytics
- Performance reporting

Source: Vanguard.

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Case study: how are they doing it in the US?

Client experience overview

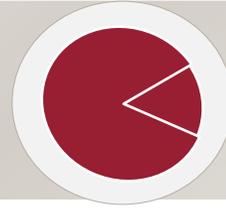
Awareness



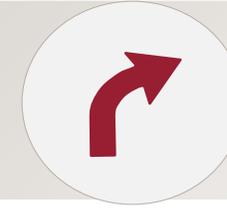
Enrollment



Onboarding



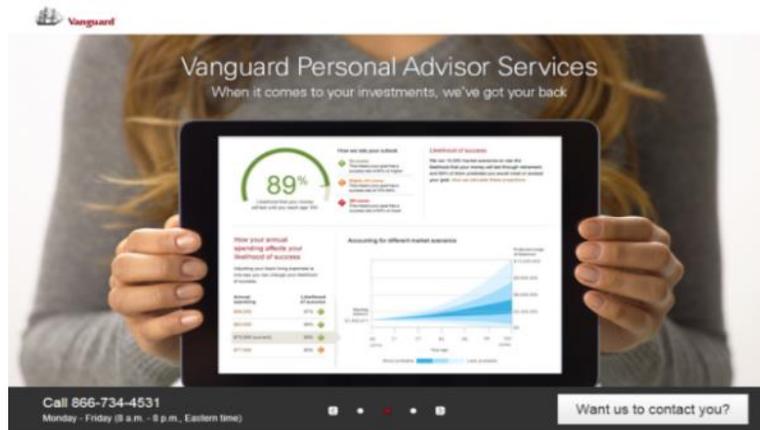
Web Experience



Ongoing Service

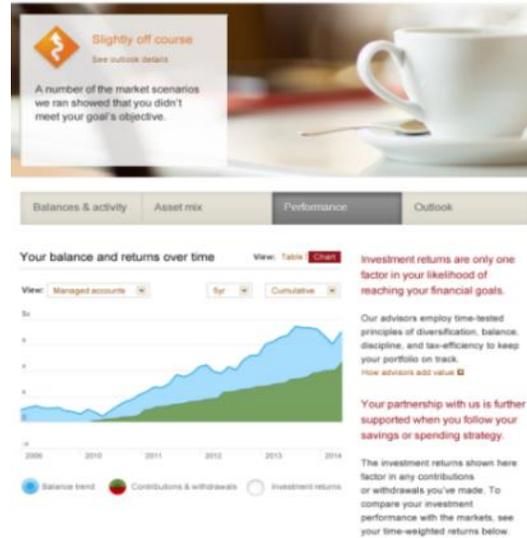


Personal Advisor Landing Page



Daily Performance Reporting

Pat and Alex's Retirement



Client Videoconferencing

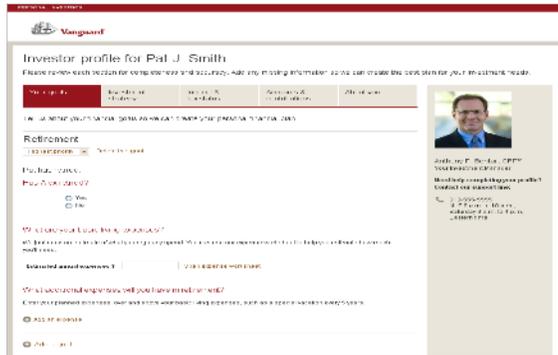


Source: Vanguard.

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Case study: how are they doing it in the US? Technology available to the client

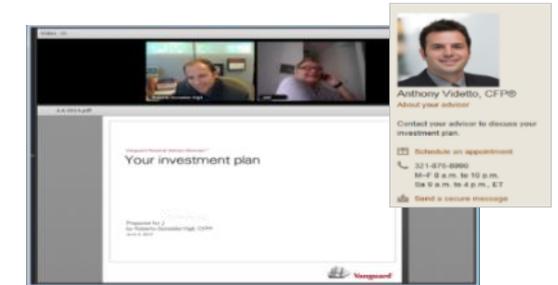
Online Investor Profile



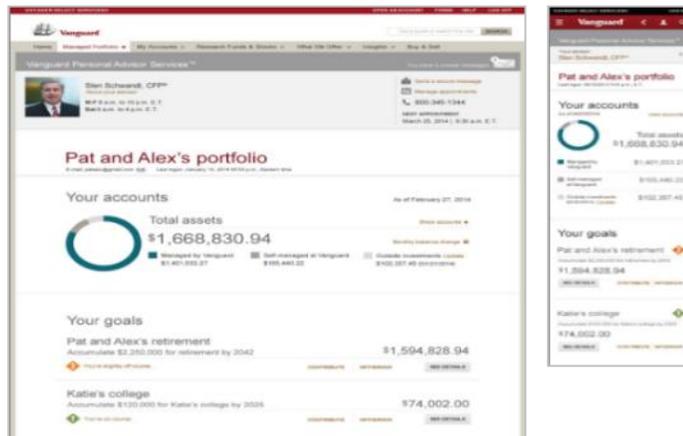
Goals-based, personalised financial plan



Online appointment scheduling; easy access to Advisor



Web and mobile experience



Goal and portfolio details available online



Quarterly progress reports



Source: Vanguard.

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Back to the realities of the UK

The big issues

- Advice gap?
- Financial Advice Market Review
- Making the “simplified advice model” more attractive
 - When is a decision tree/fund selection tool a personal recommendation?
 - Can a pre-approved “simple” fund be sold with “light touch” advice?

Key takeaways

Potential to learn from robo-advisers on use of technology

- How do my clients want to interact?
- Could I leverage technology to scale low value-add activities?

Communicating value-add to clients

- How am I getting the message across?
- Is it all about the asset allocation?

Life in a post-RDR world

- How confident am I that my funds will outperform the market?

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