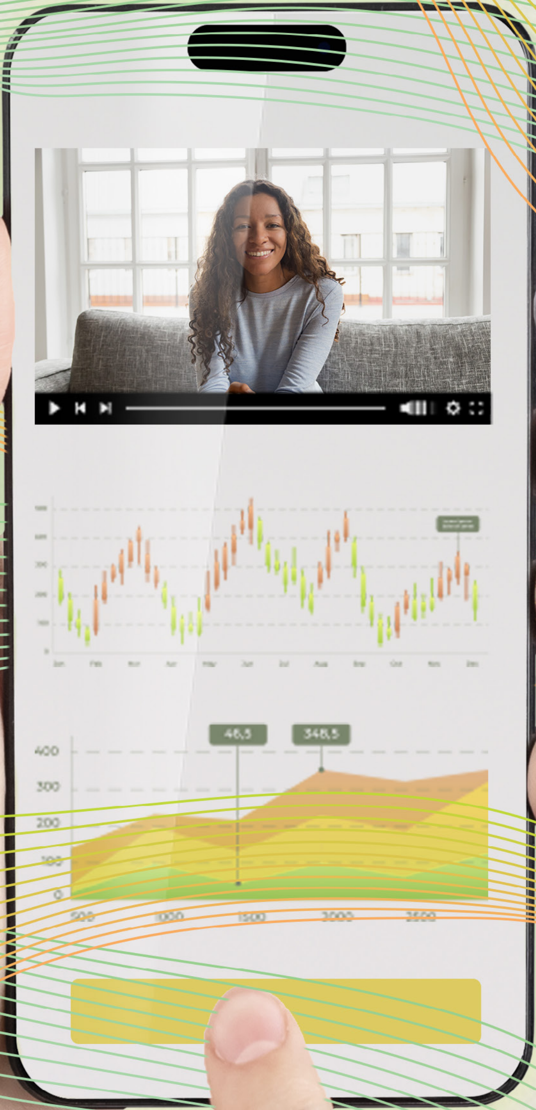
Financial services firms can untap global growth by democratizing financial advice

Personalized financial advice shouldn't just be for the wealthy anymore—and it doesn't have to be. Why advising the mass market could be a win-win financial inclusion opportunity.

Deloitte Center for Financial Services



Deloitte. Insights

Corporate social responsibility and financial inclusion

Change isn't just coming—it's already here. From pandemic-related challenges to racial and social injustices, recent events have shone a spotlight on the urgent need for financial institutions to advance financial inclusion initiatives. Expanding access to affordable financial services for underserved markets doesn't just recognize a moral imperative, but a business one as well. As the human-centered future of financial services becomes increasingly positioned around customer needs, wants, and social priorities, leading with heart and humanity will be integral to success. We can help you lead the way, with financial inclusion efforts that create a higher bottom line for all. **Learn more**.

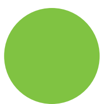
Table of contents

05 . . . The professional advice gap in the mass retail segment is a huge market-making opportunity

08 . . . Serving mass market clients is becoming more affordable

09 . . . Robo-advice for all

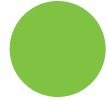
10 . . . Endnotes



Two growing trends—the demand for holistic financial advice among mass-market investors and adoption of mobile wallet platforms—are converging, spurring hope for a true democratization of financial advice. Deloitte estimates net financial wealth held by the mass retail population segment globally to almost double, to US$22 trillion by 2030.[1] Wealth and asset managers can achieve greater financial inclusion by serving less affluent clients. And now, serving the mass market could provide financial services firms with significant economic opportunities.

The unprecedented disruption in society over the last few years has led to many changes in financial services; greater attention to financial well-being is one.[2] Today, most financial services industry leaders recognize that their organizations can help support this new dynamic by developing financial inclusion strategies within their organizations.[3] These strategies have benefited companies and workforces alike, and there may be good cause to broaden the strategies themselves for even greater dividends.[4] One possible path is to fully democratize financial advice by servicing individuals at the lower end of the wealth spectrum, i.e., the mass retail segment, which the Deloitte Center for Financial Services defines as the bottom 60% in wealth of each global region's adult population.

The professional advice gap in the mass retail segment is a huge market-making opportunity



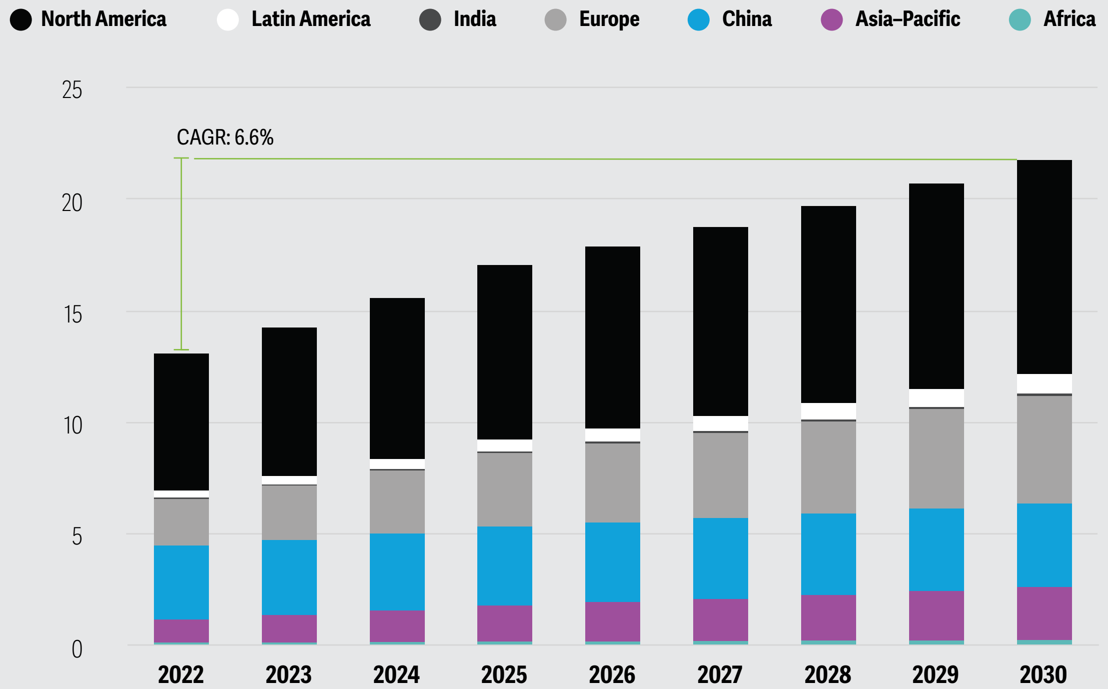
At present, the Deloitte Center for Financial Services estimates this segment to hold around US$14 trillion in assets.[5] While some of these assets may already be held in interest-bearing accounts, our research suggests that the majority is not professionally managed. In the United States, almost three in five (59%) consumers seek financial advice but aren't sure how to get it.[6] In fact, over 40% of people turn to digital sources, including social media, blogs/vlogs, and podcasts, for financial advice.[7] The top reason respondents reported for not seeking out a registered financial advisor was that people didn't think they had enough money to invest.[8] The large percentage of people already turning to digital sources for financial advice could mean there may be a huge untapped opportunity for financial advice in the global mass retail population segment.

We estimate the opportunity for assets in this market, to cross the US$20 trillion-mark by 2030, growing globally at an annual rate of 6.6% (figure 1).[9] While Latin America could witness the fastest regional growth (13.9% CAGR; figure 2), it is only projected to represent about 4% of the market by end of the decade. The largest share of global assets is in North America, where growth is forecast to be around 6% per annum. We expect Europe's mobile wallet platform adoption to surpass that of China's within the next few years, which would make Europe the second largest opportunity for the mass retail segment, behind only North America, by 2030.

Figure 1

Global mass retail market assets represent an opportunity for financial advice

Total global mass retail net financial wealth (US$ trillions)

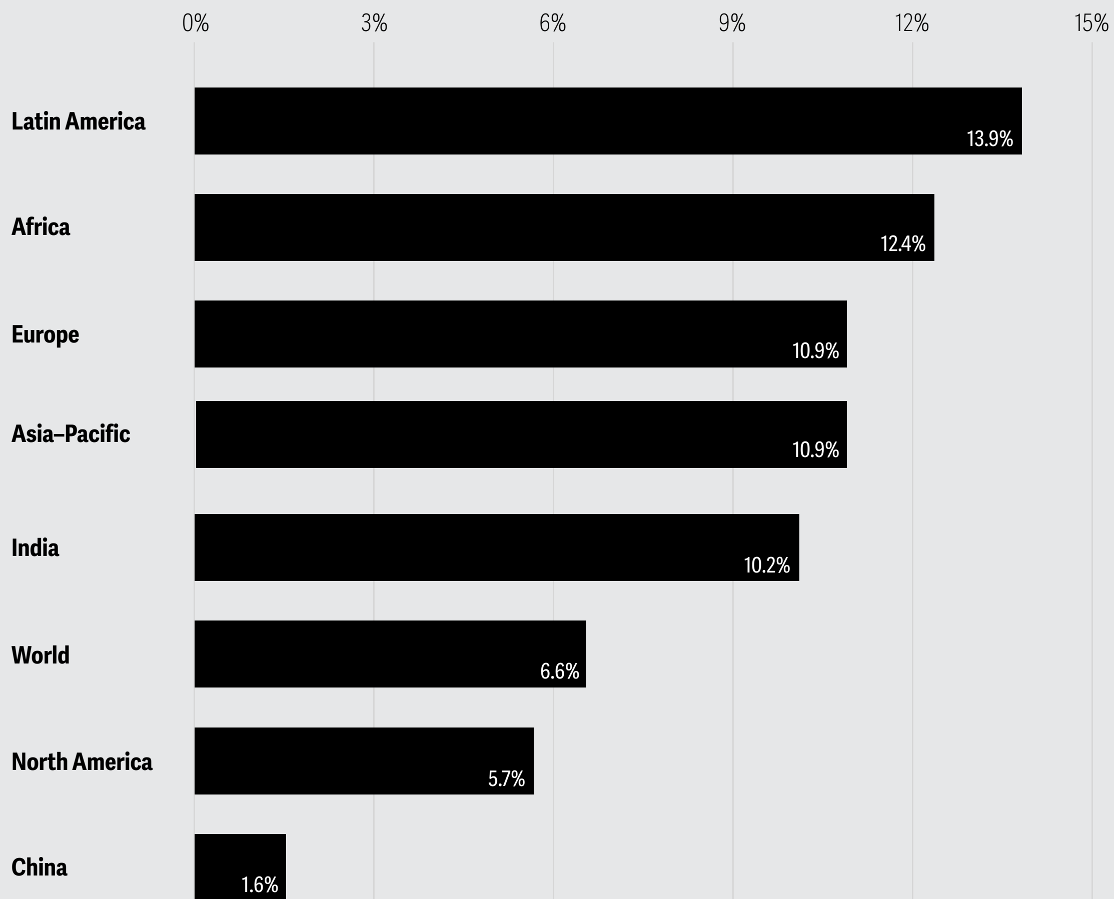


Sources: Deloitte Center for Financial Services analysis; Credit Suisse Global Wealth Report 2022; Boku 2021 Mobile Wallets Report.

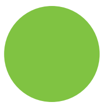
Figure 2

Regional growth rates of mass market assets under management are expected to vary widely

Forecasted growth rates, 2022–2030



Sources: Deloitte Center for Financial Services analysis; Credit Suisse Global Wealth Report 2022; Boku 2021 Mobile Wallets Report.



Serving mass market clients is becoming more affordable

Given the sizeable assets held by the mass retail segment, providing financial advice to this market could be an attractive opportunity for the financial services industry. However, getting the economics right has been challenging. Historically, many financial advice providers have shied away from the mass retail segment in part because of high customer acquisition costs and much lower investable asset levels.[10] These challenging market dynamics have contributed to a high client to advisor ratio in order to profitably serve this segment, which in turn, has often limited the ability to personalize advice.[11] It typically costs a traditional advisor almost US$3,000 to acquire a new client. Of this, around 80% is the 'time cost' of a human advisor.[12]

Financial services leaders may want to reexamine whether these previous assumptions are still valid today. Robo-advisory—delivering automated advice with minimal human intervention needed—could be a cost-effective and scalable solution to provide advice to clients who have smaller portfolios.

In the past, financial organizations that deployed robo-advisers found it difficult to target potential clients outside of those in the high net wealth segment because providing holistic financial advice in a direct-to-consumer model was very expensive.[13] Also, it could take as long as a decade for financial services firms using robo-advisers to recoup their customer acquisition costs.[14] But the technology driving robo-advisers has evolved considerably since robo-advisory first appeared when the advice was mainly limited to suggesting potential exchange-traded funds for investment based on the answers to online questionnaires.[15]

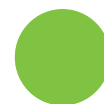
Robo-advisers are shifting from algorithm-based portfolio adjustments that use predefined sets of rules to fully automated investments fueled by self-learning artificial intelligence algorithms and automatic asset shifts.[16] AI-powered robo-advisers can provide end-to-end, real-time, personalized investment solutions (e.g., portfolio selection, automatic rebalancing, and tax loss harvesting) based on a client's investment goals and risk profile to deliver recommendations in an interactive, conversational format with lower incremental client servicing costs than human advisers.

Regardless the amount of human interaction, financial services firms should continue to prioritize addressing regulatory requirements, such as those surrounding fiduciary duty. In the United States, the SEC offers guidance for robo-advisers surrounding the presentation of disclosures, ongoing client suitability of advice, and effective internal compliance programs.[17] As more client services are driven through robo-advisory platforms, corresponding increases in client protection should follow. Apart from adhering to regulatory requirements such as conducting an annual review of the written policies and procedures enacted to prevent violations of the Investment Advisers Act of 1940, robo-advisers should also consider instituting procedures surrounding aspects that pertain to their operating model. For example, robo-advisers should consider policies and procedures for testing and monitoring the algorithmic code, as well as adequate oversight of any third party which may have been involved in the development of the code.[18]

Aside from the technological advancements that are helping pave the way for more comprehensive automated financial advice at a lower cost, it may also be more cost-effective to reach new clients than previously

believed. One way financial advisory firms can minimize customer acquisitions costs could be by capitalizing on these potential clients who are already familiar and participating in the growing mobile wallet market. Rather than building a platform from the ground up, there may be opportunities to form partnerships with established mobile wallet platforms to tap into an existing user base. The partnership could involve an all-in-one type of platform where the mobile wallet and robo-advisory accounts share the same platform, or the user could be directed through the mobile wallet to open a robo-advisory account on a robo-specific platform.

Robo-advice for all



According to a recent survey, 75% of millennial respondents were open to using a robo-advisor to manage investments.[19] This may be ascribed to limited investment knowledge or the desire to actively manage a portfolio. On the other hand, only 43% of baby boomers surveyed said they were interested in using robo-adviser platforms, perhaps because they either lack trust in financial advice algorithms, or they prefer a more hands-on approach to choosing their investments.[20]

But robo-advisers can only truly be inclusive if they serve people of all ages. Older clients may prefer hybrid robo-adviser platforms. These combine automated advice and human financial advisors, who are available via phone or video. While slightly more expensive than purely automated advice, virtual access to a human advisor can help alleviate trust-related concerns and build credibility over time.

With an almost US$22 trillion in estimated investable assets by 2030, the global mass retail market may be too great of an opportunity to pass over for much longer. Should financial services institutions succeed in making financial advice more accessible, people who may have previously turned to social media for advice could seek out the industry's vast knowledge and expertise. Ultimately, financial services players can play a large role in making society more equitable, profitably.

Endnotes

1. Methodology: The Deloitte Center for Financial Services defines the mass retail population segment as the total financial wealth net of debt held by the adult population in the bottom six wealth deciles of each region from the *Credit Suisse Global Wealth Report 2022* (excluding any deciles that have negative wealth where applicable). Next, we considered the percentage of each region's population that has adopted mobile wallets according to the *Boku 2021 Mobile Wallets Report*. Taken together, we have estimated the adult population for each region that could be described as lower-to-middle income that is already comfortable conducting financial transactions without a human intermediary. The forecasted growth rate for each region is based on the respective historical 5-year real growth rate of the median wealth per adult from the *Credit Suisse Global Wealth Report 2022*.
2. Deloitte, "The future of financial services in the United States," 2021.
3. Courtney Davis and David Sherwood, "Financial inclusion: Look deeper than labels," *Wall Street Journal*, December 9, 2021.
4. Doug Dannemiller, Julia Cloud, Krissy Davis, and Tony Gaughan, *2023 investment management outlook: The global investment management industry looks to drive success in a virtuous cycle*, Deloitte Insights, October 7, 2022.
5. See methodology described in endnote 1.
6. intelliflo, "Nearly 3 in 5 Americans (59%) want financial advice but are not sure where to get it, according to intelliflo survey," press release, March 2, 2022.
7. Ibid.
8. Ibid.
9. The bottom 60% in wealth excludes the adult population segments if net financial debt is negative, where applicable.
10. Eric Rosenbaum, "Robo-advisor dream of disrupting Wall Street wealth is not working out exactly as planned," *CNBC*, January 27, 2022.
11. Val Srinivas, Monica O'Reilly, and Deron Weston, *2023 banking and capital markets outlook*, Deloitte Insights, September 28, 2022.
12. Michael Kitces, "The most efficient financial advisor marketing strategies and the true cost to acquire a client," Kitces, February 10, 2020.
13. Ibid.
14. Sean Collins, Ankur Gajjaria, Rob Heller, and Thomas Kirk, *Driving innovation in investment management: Learning from—and partnering with—invest-techs*, Deloitte, June 28, 2019.
15. Deloitte, *The expansion of robo-advisory in wealth management*, August 2016.
16. Ibid.
17. Deloitte, "Robo-advising platforms carry new risks: Hands off—guard up," 2020.
18. Ibid.
19. Julie Ryan Evans, "63% of Americans—led by millennials—open to using a robo-advisor," MagnifyMoney, October 3, 2022.
20. Ibid.

About the authors

Krissy Davis
kbdavis@deloitte.com

Krissy Davis is a Deloitte vice chair and the leader of Deloitte's US investment management industry practice. As the industry leader, she is responsible for driving the integrated industry strategy across Deloitte's businesses, Audit, Consulting, Risk & Financial Advisory, and Tax, and ensuring the strategy, solutions, and thought leadership meets the evolving market demands. Davis also works with our client account teams to ensure we deliver the breadth and depth of the firm's capabilities and talent to our clients.

Katerina Tzouganatos
ktzouganatos@deloitte.com

Katerina Tzouganatos is a principal in Deloitte's risk and financial advisory practice with over 20 years of experience and specializes in advising investment management firms and banks on business operations topics focused on risks and controls. Tzouganatos leads complex internal control projects providing assurance services, internal audit services, risk and compliance assessments, and control advisory services for investment advisers, registered investment companies, and various banking entities.

Sean Collins
scollins@deloitte.com

Sean Collins is a manager at the Deloitte Center for Financial Services who researches and writes about the Investment Management industry. He has experience in the financial services industry as a buy-side equity analyst as well as experience in corporate finance. Collins is a CFA Charterholder and has an International MBA from the University of South Carolina.

Samia Hazuria
shazuria@deloitte.com

Samia Hazuria is a research manager at the Deloitte Center for Financial Services, where she contributes to research initiatives that differentiate the center as a thought leader in the financial services industry.

Acknowledgments

Authors **Sean Collins** and **Samia Hazuria** wish to thank the following Deloitte Center for Financial Services colleagues for their insights and contributions: **Doug Dannemiller**, **Patricia Danielecki**, **Mohak Bhuta**, **Neerav Shah**, **Alice Hartnett**, **Seth Raskin**, and **Paul Kaiser**.

About the Deloitte Center for Financial Services

The Deloitte Center for Financial Services, which supports the organization's US Financial Services practice, provides insight and research to assist senior-level decision-makers within banks, capital markets firms, investment managers, insurance carriers, and real estate organizations. The center is staffed by a group of professionals with a wide array of in-depth industry experiences as well as cutting-edge research and analytical skills. Through our research, roundtables, and other forms of engagement, we seek to be a trusted source for relevant, timely, and reliable insights. Read recent publications and learn more about the center on Deloitte.com. For weekly actionable insights on key issues for the financial services industry, check out the Deloitte Center for Financial Services' QuickLook article series.

Connect

To learn more about the vision of the DCFS, its solutions, thought leadership, and events, please visit **www.deloitte.com/us/cfs**.

Subscribe

To receive email communications, please register at **www.deloitte.com/us/cfs**.

Engage

Follow us on Twitter at: **@DeloitteFinSvcs**

Contact us

Industry leadership

Monica O'Reilly
US Financial Services Industry leader | Principal | Deloitte and Touche LLP
+1 415 783 5780 | monoreilly@deloitte.com

Monica O'Reilly leads the US Financial Services Industry group focused on the banking, capital markets, insurance, investment management, and real estate sectors.

Krissy Davis
Investment Management Business leader
+1 617 877 8756 | kbdavis@deloitte.com

Krissy Davis is a Deloitte vice chair and the leader of Deloitte's US investment management industry practice.

The Deloitte Center for Financial Services

Jim Eckenrode
Managing director | Deloitte Services LP
+1 617 585 4877 | jeckenrode@deloitte.com

Jim Eckenrode is a managing director within Deloitte's Research & Insights team, responsible for defining and guiding the strategy, research agenda, and marketplace deployment for the Center for Financial Services and the Center for Regulatory Strategy.

Sean Collins
Research manager | Deloitte Services LP
+1 617 437 2316 | scollins@deloitte.com

Sean Collins is a manager at the Deloitte Center for Financial Services who researches and writes about the Investment Management industry.

Sign up for Deloitte Insights updates at **www.deloitte.com/insights**

Deloitte Insights contributors

Editorial: Karen Edelman, Rupesh Bhat, Hannah Bachman, Preetha Devan, Pubali Dey, Emma Downey
Creative: Natalie Pfaff, Alexis Werbeck, Pooja Lnu
Deployment: Atira Anderson
Cover artwork: Natalie Pfaff

About Deloitte Insights

Deloitte Insights publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte Insights is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2023 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited