On the Precipice of Change

Preparing for Intergenerational Wealth Transfer

2024 Update

Foreword

Our original 2023 paper *On the Precipice of Change* explored the pace of the much-touted intergenerational wealth transfer and its impact on the financial advice industry – including what needs to be done to meet the needs of those receiving that wealth.

Some $3.5 trillion in assets is forecast to be transferred from Australian Baby Boomers to their heirs over the next two decades, according to the Productivity Commission[1].

As a result, Generation X, those people born between 1965 and 1979, are set to be the wealthiest ever to have lived as they may inherit the largest share.

Baby Boomers are leaving the workforce at an accelerated pace, and they will be all but gone from workplaces by 2028. In 2027, the first of the Baby Boomers will reach their statistical age of death (81 years for men and 85 years for women).

Baby Boomer superannuation balances will start to deflate out of the system through retirement consumption and then through disbursement via the inheritance and wealth transfer process. This will mostly be in the form of residential property, unspent superannuation funds and other investment assets bequeathed to family beneficiaries. Inherited assets currently total about $120 billion a year in Australia, and this figure is expected to quadruple to almost $500 billion a year over the next 25 years.

The purpose of this paper, updated from our original in May 2023, is to continue the conversation about the major intergenerational changes we see occurring over a planning horizon of the next five years, consider the possible implications, opportunities and challenges for the wealth management industry (and specifically advisers and their practices) and propose some priorities for action.

The NRI Group was founded in 1988 from the merger of the Nomura Research Institute, Ltd. (NRI) with Nomura Computer Systems Co., Ltd., in recognition that a technology company could not plan its own strategic future unless it could research the trends that were shaping that future. The combination of NRI's approach with AUSIEX's proven skills at seamlessly connecting Australian wealth management companies to markets creates a new opportunity to introduce a research-driven approach to local products and services.

We look forward to helping our clients, partners and the wider industry continue to engage as we all work to adapt and help more Australians in this period of significant change.

Prologue

The intergenerational transfer of wealth in this country is picking up pace.

COVID, in particular, encouraged many older people to reassess what they want going forward, a part of which is determining how to provide for the next generation. In short, we are at the end of the Boomer phase and the beginning of the Millennial/Gen Z phase. The wealth management industry needs to deal with the Boomers retiring, the transition of Gen X to being the elders of the workforce and the custodians of greater wealth and potential influence, and the rise of the Millennials/Gen Z.

[1] Wealth Transfers and their Economic Effects – Research Paper (Productivity Commission 2021)

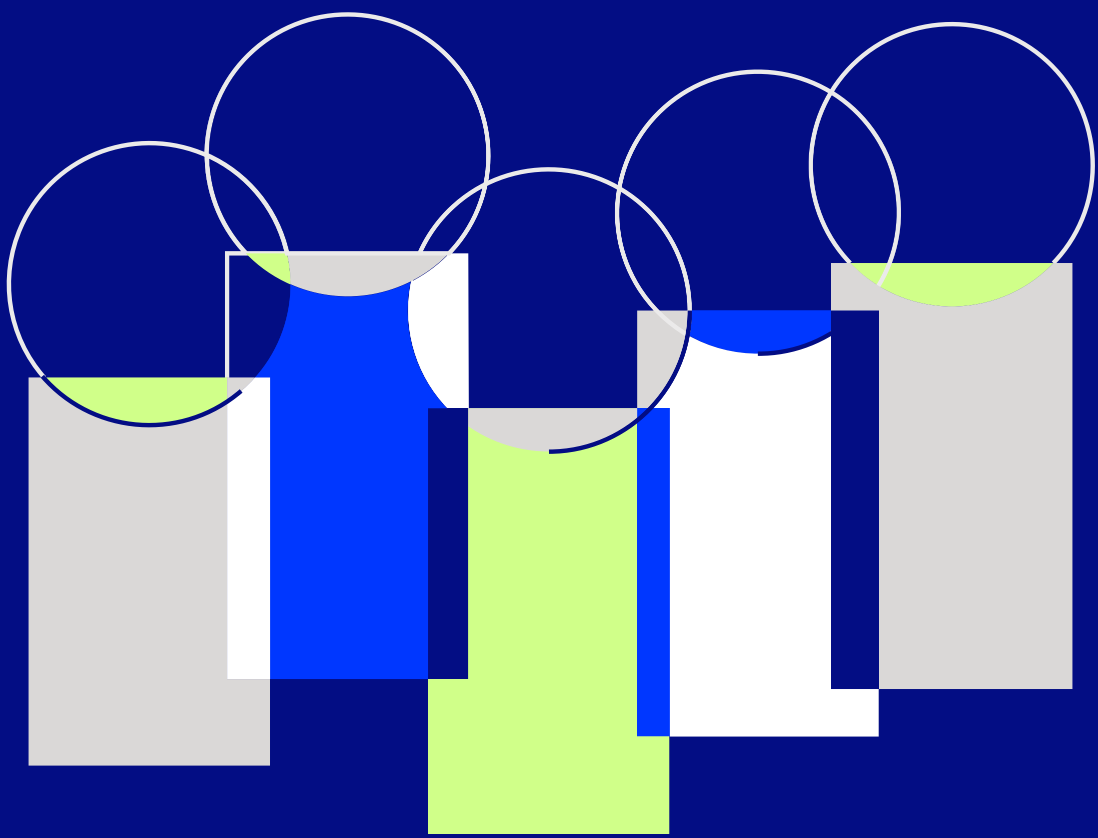
The Generations

This paper uses the definition provided by the Australian Bureau of Statistics (ABS)[2] which is shown in table 1. The Boomer generation is generally accepted to be a 20-year generational period, and then each generation is a subsequent 15-year generational period.

As we noted in our original paper, the burst in the birth rate that created the Baby Boomers meant that they were the largest demographic cohort by number, outnumbering each of the other cohorts. The Baby Boomer bubble has been the defining force that has cleared all before it, and its members have also collected resources and wealth as the systems changed to accommodate them and their looming retirement and aged care. Up until now, the Baby Boomers have been the largest and most consequential demographic cohort in Australia in the post war era.

Fig 1: Generational Cohorts

	Birth year window		
Cohort	**From**	**To**	**2023 mid point**
Baby Boomers	1946	1964	**68**
Gen X	1965	1980	**51**
Millennials (Gen Y)	1981	1996	**35**
Gen Z	1997	2012	**19**



[2] https://www.abs.gov.au/media-centre/media-releases/2021-census-shows-millennials-overtaking-boomers

The Cusp of Intergenerational Change

It is worth re-iterating that within five years, all Baby Boomers will be eligible for retirement and the Baby Boomer 'bubble' will have all but deflated out of the workforce by 2028[3].

And it doesn't stop there. In 2027, the first of the Baby Boomers will reach their statistical age of death (men 81, women 85) which means the Baby Boomer bubble will start to deflate completely.

The impact of this on the wealth management industry is three-fold:

Firstly, Baby Boomer superannuation balances will start to deflate out of the system through retirement consumption, followed by disbursement through the inheritance process.

Secondly, Gen X are now the group preparing for retirement and they will become the large balance superannuation account holders.

Lastly, with Gen Z fully deployed into the workforce, the predominant demographic groups needing to be serviced by the industry will be Millennials, Gen Z and Gen X.

Baby Boomers will have all but left the workforce by 2028, as Generation Z reaches 100% deployment.

So what might this all mean?

Fig 2: Percent of Cohort of Working Age over 5 Year Strategic Window.

		The Beginning			Strategy Window % Of Working Age						The Beginning of the End			
Cohort	1946	1964	1981	1997	2023	2024	2025	2026	2027	2028	2029	2045	2061	2077
Boomers					**33%**	28%	22%	17%	11%	6%				
Millennials					**100%**	100%	100%	100%	100%	100%				
Gen X					**100%**	100%	100%	100%	100%	100%				
Gen Z					**73%**	80%	87%	93%	100%	100%				

Fig 3: Boomer and Gen Z Cohorts of Working Age over 5 Year Strategic Window

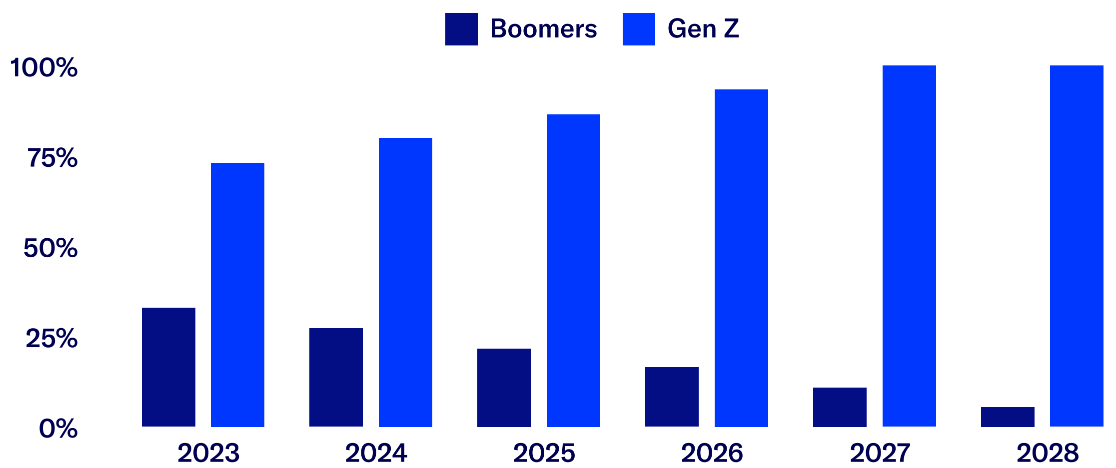


Table 2: Baby Boomers will have all but left the workforce by 2028, as Generation Z reaches 100% deployment (footnote to 'On the Precipice of Change AUSIEX May 2023').

[3] On the Precipice of Change – AUSIEX 2023

Impacts of Intergenerational Change

Financial Flow Changes

It is difficult to predict the future and how the money will flow from where, to whom, how much and where it will end up.

The exit of the Boomers from the workforce means for the first time in its history, the retirement system is going to see retirement phase withdrawals coming from its largest accounts, as those in the 60-64 age group have an average balance of $323,000 compared to the younger generations. Those in the 30-34 age group have an average balance of $45,000.

If we consider at Association of Superannuation Funds of Australia (ASFA) data on the group that will retire and leave the system over the next 20 years, the average balance across genders for those in the 60-75 year-old group is just under $400,000, however it is highly skewed by the larger balances.

Examining the median, the balance across genders in this group is approximately $180,000, which means that 50% of account holders in this age group have $180,000 or less in their retirement savings accounts. In other words, the larger share of the flow of money will be completely out of the system. This also corresponds with research from ASFA which shows that 80% of those who died over 60, and 90% of those over 80, had no super at death.

The question arises as to where this money will flow? If we look at Australian Bureau of Statistics (ABS) research into home ownership across the generations, we see that only 19.4% of Baby Boomers own their home outright, with 46.4% still having a mortgage and 30.2% renting. While the value of their properties will have increased in capital value, it is not a stretch to assume that retirement funds will be used to pay down mortgages, especially if a large cash balance reduces access to pension entitlements.

Recent ASFA research[4] shows inflation has added 9% for singles and 7.8% for couples to the balance required for a comfortable retirement. These figures are now estimated at $690,000 for couples and $595,000 for singles. These numbers will compound again in 2024.

With almost universal participation in some form of investment through superannuation and over 35% of Australian adults holding investments on an ASX Chess Account, direct and indirect investment in shares in publicly traded companies was a bedrock of the Baby Boomer retirement preparation phase and will continue to be the bedrock of wealth management for generations that come after it.

The Productivity Commission noted in a late 2021 research paper[5] that in the bottom fifth of the wealth distribution, the average equivalised wealth is about A$7,200, and the inheritance on average is about $3,500. In the top quintile, the average wealth is about A$1.3 million in equivalised terms, and the average inheritance is about A$121,000.

From the same paper, inherited assets currently total about A$120 billion per year in Australia, and this figure is expected to grow to almost A$500 billion per year over the next 25 years.

The resesarch also found that the average age of inheritors is 50, close to the mid-point of the age bracket corresponding with Gen X, which makes them an important part of the answer to the question about flows.

[4] https://www.superannuation.asn.au/media-release/media-release-21-march-2023/
[5] Wealth Transfers and their Economic Effects – Research Paper (Productivity Commission 2021)

Additionally, two in five people prefer that their wealth be shared while they're alive. That's almost double the number who'd like to leave their wealth as a bequest.

Charitable giving trends are also likely to have an impact on the financial flows occurring via the intergenerational transfer.

In a recently-released study *The Future of Legacy Giving: Boomers and Beyond – Australia (November 2023)*, it was found that Baby Boomers and Gen X felt strongly that it was important to help others in need as well as your own family (55% and 61% respectively) and had a higher expectation that their family will need financial support from them (19% and 38% respectively). Approximately 31% of 'Core' Boomers and 36% of so-called 'shadow Boomers' (born after 1955) had either already left a bequest or were considering leaving one, representing a significant proportion of the 'controllers' of the $3.5 trillion in assets likely to be transferred by 2050. The research[6] also showed that older generations felt the least connected to charities, representing a possible opportunity for advisers to support clients around such decisions, potentially in consultation with their Gen X offspring or younger extended family members who may be more engaged with the concept of charitable giving, even if not yet accounting for a majority of the monetary flows.

Of arguably greater consequence, there also appears to be evidence that females will be the primary beneficiaries of financial flows from the transfer.

Research commissioned by Schroders[7] and McKinsey's own research[8] (UK and US respectively) suggests females will be the primary beneficiaries of the wealth transfer, inheriting 60% to 70% of the wealth transferred, this decade. As women statistically live longer than men on average, it's not inconceivable they will have full control of their family wealth at some point.

Also of relevance to this discussion, a report by AMP from July 2023 – *The Financial Literacy Gender Problem in Australia* – found that females tend to have lower financial literacy than men overall. Furthermore, it is also widely accepted that women are less likely than men to seek a financial adviser. It has been acknowledged that 70% of females shed an adviser within 12 months of becoming widowed[9].

All in all, it seems females are set to play a significant role in how the intergenerational wealth transfer will play out and this will likely have a profound impact on the adviser-client relationship and the advice industry overall. Whether the industry has adapted or is ready to is a different question.

Cultural Changes

As the Baby Boomers are leaving the workforce, the values and motivations of their generation are also leaving with them. It also follows then that the values of the new Millennial and Gen Z generations are going to ascend.

Boomers expected work environments and those who worked for them to be rigid and hierarchical and social life to be kept separate from work, while Gen Z expects work environments to be fluid and better accommodate their lifestyles blending social and online lives into their work. This alone is a significant cultural change, yet it is also added to an environment where the new generations live in an economic world that is far different and more challenging than what the Boomers experienced. Consider the following issues that we can see already:

Baby Boomers exiting the economy creates significant costs for the remaining generations as they stop providing free services such as family-based childcare. They also require increased medical care. As an example, while accounting for only 21% of the adult population, half of Baby Boomers have a long-term health condition which accounts for 34% of all adults in the population that have a long-term health condition. These are costs that will need to be paid for by the younger generations.

Add to this that the Millennial/Gen Z generations also have arguably far more grim income and financial prospects than those who came before them. A recent Pew Research study found that when asked how children in their country will fare financially when they grow up, a median of 70% of adults across 19 countries (72% in Australia) say they will be worse off than their parents. The recent burst of inflation, plus the focus on stifling wages growth that reduces their purchasing and savings power, could mean that their prospects are even more difficult. The superannuation industry does not escape this change. A 2017 study by the

6 https://www.includeacharity.com.au/wp-content/uploads/2023/12/Aus-Boomers-and-Gen-X-research-final-presentation-29-Nov-2023.pdf
7 Adviser_Home_Schroders_Intergenerational-Guide_Feb_2021_FINAL.pdf
8 Wake up and see the women: Wealth management's underserved segment | McKinsey
9 Centre for Economics and Business Research (CEBR)

Financial Services Council found that even though 70% of Millennials had a superannuation account, they are uninterested and unengaged with it.

This is despite Gen X being the first generation of Australians to have contributed to their superannuation all their working lives.

There are a range of themes and actions that can help those receiving inherited wealth better engage with their superannuation, but also their inheritance and financial future.

Technological Change

We know that technology continues to evolve rapidly and there are plenty of new ideas to consider, however the key question is where will the change be developed and for whom? Gen Z are heavy users of technology and the rate and type of technological changes that are manifested into the market is dependent upon how fast the investment houses and platforms, old and new, adapt to the needs of the new generations of investors.

This means that while the current industry is defined by their service models for the older generations with larger balances in traditional product and service models, there is a wave of transformative technological change starting to happen that will reach and impact more people.

This will see technological changes and additions in back-office processes, middle-office and product functions, and into the front-office customer service areas. There will be increased movement towards open architecture, SaaS, data visualisation, function-rich customer portals and cloud computing in wealth management.

Younger generations expect greater convenience, speed, transparency, and self-service ability. This will include AI (and potentially Generative AI) finding its way into the investment advice and servicing processes in addition to impacting investor communications.

Implications for the Wealth Management Industry

The key changes we see coming to the Australian wealth management industry include:

- **Investments:** Changing demographics and culture will mean that investment types will need to change with them. This means changes ranging from an increased preference for environmental, social and governance (ESG), impact and values-led investing, improved access to investment structures and asset classes such as private equity and private credit, greater interest in global markets, innovations in passive investing vehicles such as enhanced or direct indexing, through to the introduction of crypto assets in portfolios.
- **Platform improvements:** Platforms will be a mix of stability and change. Their interfaces to markets and their aggregation functions will continue to require investments in scale and efficiency, while their interfaces to end user systems will need to adapt to the demands of change from those providing services and data to end users.
- **Technology**: Those providing services directly to users will see the greatest need for technology change as the world of advisers and investors becomes completely mobile, information, compliance, and education needs for new investment and new demographic segments require support, and digital transformation brings opportunities via AI (such as ChatGPT and Google's Bard) and new media. Growing expectations from end users with respect to cybersecurity and data ownership are also likely to drive change in the way data is accessed, managed, protected, shared, and processed. We also expect more mobile options to be in demand as convenience becomes a more important factor.

From our vantage, and considering the data presented earlier, we see priority areas for advisers to consider as they plan and react to the opportunities and challenges of intergenerational wealth transfer.

Getting Practical About Change

Research from US-based The Williams Group may provide a high-level framework for how advisers can approach designing their response to intergenerational wealth transfer.

The research, released in 2012 and conducted over 20 years on over 3200 families who had transferred wealth, found 70% of transfers failed, where a failure was defined as an involuntary loss of control over family assets. Examining a very high proportion of these unsuccessful transfers, a breakdown in communication and trust was found to be the root cause in 60% of post-estate transition failures, with heirs being unprepared and unwilling to be held accountable and the lack of an agreed wealth mission comprising 25% and 10% respectively. The 'successful' cohort (30%) were found in general to have broad, well-thought-out plans to prepare all heirs across generations for the responsible custodianship of that transferred wealth.

So what does this all mean?

From our vantage, we see four priority areas for advisers to consider as they plan and react to the opportunities and challenges provided by this unprecedented transfer.

1. Initiating Conversations

According to The Value Gap, a report from Effortless Engagement over 70% of clients would also like their adviser to advise their children. In addition, 30% of financial advice clients surveyed indicated they are willing to subsidise advice fees for their children.

With the youngest generations under-indexed in terms of their usage of advice, it would therefore seem that working with client to extend conversations about transfers to beneficiaries should be a key priority.

For advisers, the rewards appear clear. Australian Ethical found in its *2023 Opportunity Next* report, conducted with CoreData, that an overwhelming majority (77%) of advisers who engaged children in wealth transfer conversation saw an increase in client satisfaction. In addition, the same proportion (77%) of advisers who held discussions relating to wealth transfer reported retention of half or more of their clients – compared to just 47% for advisers who waited for their clients to initiate such conversations.

However, despite these apparent opportunities, some 40% of those surveyed by Australian Ethical indicated they do not have clients who have transferred wealth or are in the process of doing so. There are, of course, a myriad of reasons why this may be the case, but the lack of a framework for engaging clients, the cost to the practice of engaging in challenging, complex and potentially protracted conversations and client resistance may be key factors.

A recent report from Fidelity International called 'Rainbow's End'10 found that despite 50% of people surveyed (across all Gen X, Gen Y, Baby Boomers and the Silent Generation) indicating they were only somewhat confident or not confident at all in knowing how their wealth transfer goals will be met, respondents indicated they would seek advice from a wide range of sources of advice (including family, super funds, friends and accountants) with 35% of respondents rely on a professional financial adviser for advice if they were to receive significant help or an inheritance from family. Advisers will need to be proactive it seems else they will be serviced through other channels.

It also seems it may not be *a fait accompli* that children of advice clients will use their parent's preferred adviser.

An early report *The Generation Game* (Sanlam (UK), 2019)[11] revealed 59% of advised clients surveyed wanted their children to see an adviser but only 9%

[10] https://www.fidelity.com.au/sites/fidelity/assets/FD23609_Rainbows_End_D4-(003).pdf
[11] https://www.sanlam.co.uk/getmedia/26732f95-d494-422a-8892-3bc905fa959f/Sanlam-%e2%80%93-The-generation-game.pdf

actually have a conversation about it. In addition, a more recent report by Cerulli Associates[12] found that 92% of affluent investors who use their own advisor did not consider their parents' advisor in their selection process at all. This was somewhat consistent with earlier figures from Cerulli[13] in 2019 which showed that only 13% of affluent investors would work with the adviser serving their parents, and of the 87% who did not, 88% indicated they had never considered doing so.

All of the data points above, both opportunities and challenges, would seem to suggest that there is a need to initiate conversations with clients and beneficiaries early, proactively and as a priority for the practice.

Yet as important as initiating these conversations is, how advisers approach engagement with beneficiaries may be of equal or greater importance to the health and success of the advisory practice.

2. Engage with clients and beneficiaries (using the investment process)

The Value Gap report referenced earlier revealed that less than 20 per cent of advice business have a structured plan for their centres of influence, and a similarly low number had actually encouraged clients to refer in the past 12 months.

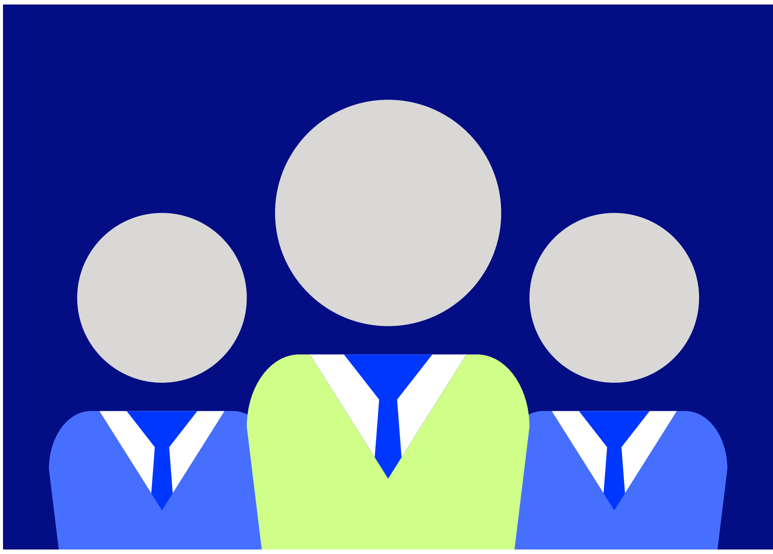
Less than 1 in 10, it was observed, had any form of digital marketing plan through which to engage them. This suggests that advisers may have a significant amount of ground to make up to be ready to engage in conversations with beneficiaries and, in particular, with younger generations.

So, the relevant question is: how to engage?

Current market and economic conditions, relatively high rates of inflation and elevated cost of living might have tempered the enthusiasm of younger investors since the COVID period. That said, their entry into the market during the pandemic created a need for education to which the industry has so far responded. This is to say that there is both interest and engagement in the markets and some foundation of education which advisers may leverage and build upon to engage with beneficiaries.

Education, in particular, directly addresses a general need across generations but particularly for younger beneficiaries. Fulfilling that need, in a manner suited to the preferences of each generation, is becoming an imperative. Accordingly, advisers are increasingly leveraging digital channels comprising for example social media, webcasts/podcasts, short-form video, simple calculators or budgeting tools and succinct, visual-rich explainer content to help beneficiaries better understand the transfer and investment process and how decisions will impact them.

Furthermore, the proliferation of financial products enabled in part by innovative fund structures,



intuitive new trading platforms and the level of access to markets modern platforms are now providing, also present advisers with an opportunity to engage the next generation using the investment process itself, either pre or post transfer.

Exchange Traded Funds (ETFs) have of course achieved (and continue to achieve) significant traction with investors over the past few decades, in particular with younger investors and their advisers. The ability to achieve instant diversification through a single trade, across jurisdictions and without a significant minimum investment, and the relatively low management expense ratios in comparison with more traditional pooled investments means they are significantly more accessible.

[12] https://www.thinkadvisor.com/2023/11/14/only-19-of-investors-work-with-their-parents-advisor-cerulli/#:~:text=Only%2019%25%20of%20Investors%20Work,Parents%20Advisor%3A%20Cerulli%20%7C%20ThinkAdvisor
[13] https://www.investmentnews.com/practice-management/news/only-13-of-adult-children-would-use-parents-adviser-cerulli-79471

Convenience and value is also a strong component of their appeal, with time-poor younger investors and their advisers able to leverage off the ETF issuer's experience and resource to manage the exposure in a very low-touch manner.

Perhaps most importantly however, this flexible solution is allowing advisers to build exposures which are mor closely aligned with the individual interests and values of their younger clientele. The rapid growth in thematic ETFs investments targeting specific longer-term trends (for example climate transition, next generation technology or cyber security), ETFs with Environment and Social Governance (ESG) characteristics and technology features such as ESG Risk Ratings and stock screeners is providing advisers the tools to achieve this, while also providing them good opportunities to engage and understand their clients and their drivers at a deeper level.

The advent of direct indexing in Australia may also contribute to the hyper personalisation of investment.

Access to international markets is also emerging as an opportunity for engagement with the next generation. Incorporating global assets into portfolios, aside from the potential performance and diversification benefits, allows advisers to have conversations with beneficiaries about the brands each generation know, understand and admire – for example the 'so-called magnificent seven' stocks. The recently released *Investment Trends 2023 2H Australia Online Investing Report* revealed, for example, that 29% of reactivated online investors hold international shares in their portfolio, up from 25 % in May 2023. Recent research by Betashares and Investment Trends also found that 53% of ETF investors, now a sizeable cohort, plan to allocate international equities in the next 12 months, up from 42% the previous year.

Even the approval by the Securities and Exchange Commission and launch of 11 spot bitcoin ETFs in the US has the potential to capture the interest of younger generations and allow advisers to kickstart a conversation about investment goals and their finances in general.

Research from Statista in 2022 revealed 1 in 4 Australians had holdings in cryptocurrencies.

Finally, with younger 'digital native' generations highly conditioned to expect streamlined digital experiences and easy, open access to information, advisers can take advantage of the improved availability of new client portal and reporting technologies embedded within modern platforms to allow them to be better informed as to composition and performance of their portfolios. This in itself may help strengthen communication and trust between transfer stakeholders, improving the likelihood of success and assisting the adviser to acquire and retain profitable long term relationships.

3. Evolving Communications

The intergenerational transfer has underlined the need for a reassessment of approaches to communication. This itself is driven by a number of factors.

Firstly, the nature of conversations between adviser and client is likely to increasingly change from a one to one or one to few, to one to many, encompassing a larger and more diverse set of stakeholders in the transfer (both on the side of those passing along the wealth and those inheriting it). These stakeholders, of course, have individual perspectives, drivers and interests dependent to a degree on their stage of life.

Secondly, the growing proliferation of financial tools and strategies available to advisers means decisions are arguably increasing in their complexity. Advisers are expected to be able to provide a greater level of detail in near real-time across a broader range of investments, solutions and strategies in order to justify fees.

Thirdly, with the much-touted rising 'wealth gap' and the challenging circumstances being faced by the next generations (covered earlier in this paper), the decisions taken by advisers and their clients are more profoundly impactful to the lives of beneficiaries across all generations. Communication, in other words, takes on greater importance.

The conditions exist, therefore, for advisers to add significant value to their clients and their families by playing a more leading role in helping them navigate the complexities of communication and engagement through the transfer planning process.

In so doing, it not only improves the likelihood of a successful transfer but presents opportunities for advisers to demonstrate their value.

We see three key areas of opportunity:

- **Governance and decision support**: Considering the complexity of the conversations with clients and beneficiaries, advisers can support the introduction of a higher level of governance and structure in relation to stakeholder engagement, communications, decision making and the definition of the overall goals and success criteria of the transfer.
  At a practical level, this may comprise working with clients to construct and implement frameworks for how clients and stakeholders will engage and interact, how decisions will be made, how information will be disseminated, how and when stakeholders will be engaged, how communications and decisions will be tracked and recorded, how disputes may be resolved and the definition of roles in decision making, that is, who will be responsible, accountable, consulted and informed through the transfer planning and inheritance process.
- **Facilitation expertise**: Ensuring the diverse and sometimes conflicting interests and perspectives of clients and beneficiaries are duly considered will require strong facilitation skills clients may not necessarily possess, potentially leading to inefficiencies in the engagement process and increased scope for miscommunication and mistrust. Accordingly, advisers may find opportunities to demonstrate value by supporting clients with direct or indirect facilitation of meetings and conversations with and between clients and family members, following best practices.. This could also encompass the provision of suitable, accessible technologies for virtual attendees and the controlled dissemination of information and decisions to all participants. The sum total is that a well-run and transparent process will ensure confidence amongst all parties that the transfer planning process is procedurally fair and equitable.
- **Adaptive communications plans**: Given the greater diversity, interests and number of beneficiaries who may be involved in transfer conversations, there may be scope for advisers to support clients with development of communications plans which acknowledge individuals and their roles, different communications preferences (such as channel, frequency and level of detail) of generations and the varying levels of financial literacy and engagement in and understanding of the overall transfer process. These detailed plans will need to be able to adapt through the course of conversations as client and beneficiary objectives and circumstances change. Robust communications technologies will be critical to supporting the execution of more complex communications plans.

4. Technology and trading efficiency a path to success

While the intergenerational transfer of wealth presents a substantial opportunity for advisers to engage new clients and beneficiaries to establish resilient, long-term revenue streams, success is predicated heavily on their ability to add value and serve them profitably.

Naturally, technology is a critical part of the answer – though not the complete answer – to helping client's plan and execute successful transfer.

At a fundamental level, modern technologies – from ERPs and CRMs to scaled advice platforms and specialist estate planning tools – are helping advisory practices drive efficiencies across a number of areas such as information collation and retrieval, communications, data cleansing and enrichment, and regulatory compliance and reporting. Solutions such as DocuSign, as one specific example, seek to reduce the time-cost associated with the execution of documentation while improving trackability and auditability.

Cumulatively, these efficiencies help bridge the 'serviceability gap' to allow previously uneconomic clients, in particular those in the younger generations, to be serviced profitably.

Modern, fully-featured trading platforms provide advisers access to the wide range of markets and asset classes required to build bespoke client portfolios in precise alignment with their objectives and risk profiles.

So to is technology re-defining trading efficiency. Extensive toolsets are enabling advisers to trade across multiple clients and securities simultaneously and efficiently, and achieve best possible entry and exit prices. Deep integration libraries powered by Open API allow efficient and automated movement of data to lower the cost of trading and administration, and power information-rich online portals with on or close to real-time, on-demand reporting capabilities.

Responsive web platforms built to modern design and accessibility principles are helping ensure all stakeholders have open and equitable access to information.

Contemporary platforms also support the production of clean, accurate and timely information to support data-backed decision making and enable the possibilities of the next generation of technologies such as generative AI and Robotic Process Automation.

Enhanced reporting solutions help to deliver on the requirements of clients and beneficiaries for transparency and control, putting them at the centre of the investment and taxation decisions which impact them.

In this way technology provides a central 'source of truth' to facilitate conversations and decision making, reducing the scope for decisions driven by emotion, stakeholder self-interest or influenced by intra-family group dynamics.

The net effect – and arguably a key role – of technology through the wealth transfer therefore is to help address the challenges of communication and trust as root causes of transfer failure (as noted earlier), ensuring there is a common and mutually agreed fact-base for stakeholders, in order to deliver transfer plans their best chance of success. At the same time, technology can help deliver operational efficiencies to practice, allowing them to take advantage of the opportunities of wealth transfer.

Adapting to Change

The wealth management industry has always adapted quickly to new technologies to improve products and services.

It started with information processing technology for cost and scale, then online technology in the 90s and mobile technology in the “noughties” to improve service and elevate the customer experience.

Today we have apps that integrate with platforms so that investors can also communicate, research, and get better service from the industry on the platforms that they use.

We can also see that collective and direct investment in shares of old and new companies through public exchanges has been the bedrock of the products and services that create and distribute wealth to new generations of savers. We do not see this changing.

Our industry has, and will continue to be able to, deal with change. It is just happening faster and with higher impact than many realise.

The older generations are about to leave the system, the younger generations face different challenges than those that came before them, and the transition to innovation in the digital world is continuing apace.

The wealth management industry and equity capital markets are proven at adapting to help the economy find new ways to create capital and increase wealth. It is essential that industry participants become more active in understanding and discussing the changes that are now taking place and engage across the value chain to plan and execute change.

Industry participants need to accelerate their preparations for intergenerational transfer, as the Baby Boomer boom is over.

About AUSIEX

At AUSIEX, we work across all segments of the wholesale market, specialising in equities execution, clearing and settlement services, and equities administration.

Essentially, we support intermediaries with products and services to help provide trading solutions to Australian investors. For the last 15 years, we have also worked with some of Australia's leading financial institutions, powering the Australian equity component of their offering.

Our knowledge and understanding of the market infrastructure and interconnectedness sets us apart. We have 25 years of experience in this area. We can help financial institutions, intermediaries, advisers and industry participants meet the changing needs of the self-directed investor by seamlessly connecting them to markets and delivering a first-class client proposition.

We can also leverage strong market infrastructure from NRI to supplement our capability in the market. Through NRI, we have a shareholder with a strong balance sheet and access to tech capability for development to help us deliver on our strategy.

We currently service

- Over 500,000 self-directed customers
- Four of Australia's top 10 wealth platforms
- Over 850 dealer groups
- Over 4,500 advisers
- Over $65bn in Funds Under Administration
- 620,000 HINS

What we offer

- Standard and advanced trading solutions through our online trading platform
- Trade execution services
- Branded trading solutions
- Origination services
- Data and reporting services (data feeds, tax reporting, mailbox services, corporate actions, custodial and non-custodial reporting)
- Back-office services (client investments administration, tax parcel management, custodial and non-custodial equities administration).

About NRI

Founded in 1965, NRI is a leading global provider of consulting services and system solutions, including management consulting, system integration, and IT management and solutions for the financial, manufacturing, retail and service industries. Clients from all layers of these individual industries partner with NRI to tap NRI's research expertise and innovative solutions across the organisation to expand businesses, design corporate structures and create new business strategies. NRI has more than 17,000 employees in 16 countries and regions including New York, London, Tokyo, Hong Kong, Singapore, and Australia. NRI reports annual sales above $4.9 billion. NRI is rated "A" by S&P Global Ratings Japan. For more information, visit www.nri.com/en

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