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INTEGRATING FINTECH: KEEP CLIENTS PAYING ATTENTION TO THE MAN IN FRONT OF THE CURTAIN



By: Adam Shell - May 26, 2020

In a fintech world where computers house the main financial planning tools, creating a personalized financial plan still requires the human touch.

Just ask Jeff Klauenberg of Klauenberg Retirement Solutions in Laurel, MD. Like other financial advisors, he relies on automation to help craft financial plans.

He uses a suite of financial planning tools. One focuses on core financial planning and aggregates all of his clients' financial information. Others analyze more specific problems. Like the best time to start taking Social Security. Or the best ways to generate income in retirement. Klauenberg also taps digital tools that optimize a portfolio's tax efficiency, reveal clients' risk tolerance and build portfolios.

But just because computers crunch numbers and spit out data doesn't mean they know the client, Klauenberg says. Fintech outputs are just tools. It's the advisor's job to interpret what the data mean. He then explains the findings to clients. And then he tailors the information to their needs.

Fintech financial planning tools aren't a replacement for a financial advisor.

"Computer algorithms do not listen and understand you very well, nor are they there when you are worried; therefore, they cannot understand a client," Klauenberg said. "If you had all the appropriate tools: the ropes, picks, goggles, boots, jacket and gloves, would you feel safe climbing Mount Everest without a Sherpa?"

Fintech's Value-Added Proposition

What technology can do is improve the client relationship by elevating the content of one-on-one conversations.

"It allows the client to see the financial reasoning behind recommendations," Klauenberg said. "It allows them to feel like they are a part of the analysis and decisions. It's easier for them to take ownership of their plan."

If a client asks why they're paying you so much, when the computer is doing much of the work, here's how to respond, says Rob Pettman, executive VP at LP Financial, Products and Platforms: "A computer won't make sure your house is in order in case something catastrophic happens, and your loved ones are left lost trying to figure out your financial affairs. A computer can't help you manage your emotions and connection with money. A computer is not as effective at motivating you to be better about financial management and hold you accountable."

Financial advisor Denise Nostrom lets better fintech-driven customer service do the talking for her.

Quick Action With Fintech

When a client calls with a question, for example, she can answer immediately. "I don't have to tell them to hold on, or I'll get back to you," said Nostrom, who founded Diversified Financial Solutions in Medford, NY, in 1996. "I have all the data up to the minute and at my fingertips."

The better, faster service an advisor can provide, the easier it is to prove their value, Nostrom says. Using Advyzon, a portfolio management tool, Nostrom was able to quickly respond to jittery clients during the coronavirus bear market. "If a client said, 'I want to look at things,' I shot them over account reports that showed them how things were going."

Similarly, during the pandemic she's been regularly answering questions via text messages using MyRepChat. Being able to do digital hand-holding with financial planning tools when stocks were plunging was key. "The biggest thing is getting things out quickly to people and letting them know you are there," Nostrom said. "Texts are more immediate."

Like A Personal Trainer

Jamie Cox, managing partner at Harris Financial Group, says clients text him all the time. And fintech allows him to respond. "They want on-the-run planning questions answered, like, 'I'm buying a car, should I pay cash or finance it?'"

Nostrom equates fintech financial planning tools

with a home gym. It's a tool available to help you reach your goals. But it's not the same as getting a nudge or help from a human.

"Just like you have a personal trainer for your body, a financial advisor is like having a personal trainer for your financial life," Nostrom said.

Daniel Milan, managing partner at Cornerstone Financial Services in Southfield, Mich., uses four main fintech tools.

He ranks a client's risk tolerance with a number between 1 and 100 using Riskalyze. This fintech tool, he says, helps better align a portfolio with a client's risk tolerance. The risk score and resulting asset allocation are both talking points used to "manage expectations."

To give clients an idea of their financial plan's "probability of success," he uses MoneyGuidePro, a financial planning software. He uses iRebal, a TD Ameritrade (AMTD) platform, to assist in rebalancing portfolios. CircleBack allows his clients safe access to their accounts and keeps their plans on track.

Fintech Improves Client Relationships

All four tools have "significantly improved client relationships and communications," Milan said.

Still, as powerful as fintech tools are, they lack an ingredient key to financial planning: trust.

"It cannot replace the necessary trust levels required by the interpersonal relationships that you have with your clients," Milan said. "That trust level is what maintains us being the front person in the eyes of our clients."

Computers are getting smarter every day. They can answer basic financial questions. But they can't answer all of them.

"Clients want to talk to someone," Cox said. "They want to bounce an opinion off someone. That's not something a computer can do. It's difficult to get inside the head of an algorithm. There is no perspective. It's just math."

For over thirty years, Jeff Klauenberg, CFP®, has focused on finding solutions to retirement problems. Klauenberg Retirement Solutions has continually aimed to be on the cutting edge of financial and retirement planning with comprehensive knowledge to develop solutions for their clients' retirement and estate planning needs.

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