App-ward Mobility

By David Lindorff *Mon, Apr 9, 2012*

Connecting with investors via full-size computer screens is so last-decade. People now live on their smartphones, and the financial industry has little choice but to follow.

Stop me if you've heard this one: Customer walks into an electronics store to buy the latest smartphone. On a prominent display he sees just what he's looking for. The price: $589.99.

Instead of buying it, though, he whips out his old smartphone, snaps a pic of the product's bar code, and finger-taps a new app called PriceCheck&Save, which Putnam Investments offers to 401(k) participants. The app instantly shows him where he can get the same phone for hundreds less.

The app then allows him, with one tap on the screen, to pop the savings directly into his 401(k). The firm's web-based Lifetime Income Analysis Tool (also accessible on smartphone) instantly calculates that he'll get $5 more per month when he retires at age 65.

Welcome to the latest arms race in the retirement industry, where the explosive popularity of smartphones and tablets—especially Apple's iPod and iPad—has ignited a burst of competitive innovation in financial apps. Insurers, mutual fund firms and mega-banks have all leapt on the mobile media bandwagon.

Appily ever after

Vanguard, for instance, reports that as of the end of 2011, mobile devices mediated 8-10% of its web-based client interactions. Since the beginning of 2012, the mobile share has been growing by 8% per month. Fidelity has an app that lets advisors link directly to its Wealth Central site; since last December, 2000 advisors have downloaded it. Other companies are reporting similar demand for their mobile apps.

And no wonder: In the fourth quarter of 2010, some 30 million Americans reportedly accessed banking or investment accounts via mobile devices, up 54% from the end of 2009. By the fourth quarter of 2011, some 59 million Americans, or more than a third of adults, owned a smartphone. That share is expected to double by 2015.

A store manager at one Verizon outlet predicted that in two years smartphones will be the only mobile phones; the only place you'll be able to find a flip phone is on eBay. The number of people using apps to access their accounts—estimated at 36 million in 2011—is doubling annually. It's part of how Apple became the world's largest corporation.

As in any arms race, those who fall behind will be lost, consultants say.

"Companies need to adopt them as fast as they can, because if they don't, their customers—and their advisor base—will be gone," said Barry Libert, CEO of OpenMatters, LLC, a consulting firm that deals with social and mobile media.

That's why he likes to call mobile apps, "Weapons of Mass Destruction aimed at the retirement industry marketplace." And it's not enough just to have apps, Libert said. They have to add value: "They have to be about giving the client something and not just about promoting a product."

Keen on mobile

For Putnam, mobile is a means to an end, and the end is to change the public's mindset from accumulation to income generation. While "mobile has become a core piece of our retirement strategy," said David Nguyen, vice president for mobile strategy at Putnam Investments, his ultimate goal is "to get the retirement community to think more and in better ways about retirement."

"What the participant in a 401(k) plan typically sees [on his statement] is more like a lump sum," he told RIJ. "We're trying to shift the lines so that instead of seeing that lump, they see their savings in terms of a monthly retirement income."

Putnam's iPhone PriceCheck&Save app packs a lot of web-mediated computing power. Its uses 70 years of market returns, as well as the participant's age, sex and expected retirement age, to calculate the impact of any purchase (or any savings on a purchase) on projected monthly retirement income.

Nguyen says that the company's surveys have shown that—among the admittedly few who are using PriceCheck&Save so far—the use of the app has increased average savings rates to 8.6% from 7%, an increase of 23%. "We're changing impulse buying into impulse saving," he said.

"Our objective is not to tell people not to spend, but to make them aware of the impact of their spending or not spending on future income," he added. Plans call for adding similar apps for the iPad and later for the Android smartphone, which Nguyen said "still presents some problems."

Fidelity (several of whose former senior executives now run Putnam), is just as enthusiastic about apps. "Last year we saw our advisors very rapidly adopting mobile phones and tablets and wanting to use them to access our Wealth Central platform," says Ed O'Brien, senior vice president and head of technology for advisors at Fidelity.

"So in February 2011 we introduced a mobile application for iPhone and Android phones that lets advisers immediately get information about their clients." He says the app is "very much transactional," allowing trading in a client's account, taking action if a check is presented with insufficient funds, etc. An app for the iPad followed last December. By February 2012, 40% of Fidelity's advisors had downloaded one of the apps.

The iPad app is "more sophisticated," O'Brien said. The iPad's relatively large screen allows it to display more columns of a chart, for instance, so that advisors can manage household and client relationship groups and access more information. "The idea is to leverage the tablet to make the advisor more efficient and more able to take advantage of our Wealth Central website," says O'Brien.

On Fidelity's retail investor side, clients who work with a Fidelity advisor are offered apps. Clients can use them to sign e-sign contracts on their iPads. “The difference between advisor apps and client apps,” says O’Brien, “is that the clients are looking at just their own accounts. They’re not as transaction oriented. They are looking for information. The typical landing page for a client on a mobile device is someplace that answers the question: ‘What’s happening that I need to know about?’”

Don’t make people crazy

Vanguard, Fidelity’s traditional archrival in the direct retail institutional channel, is taking a more measured approach to app technology, says principal Amy Cribbs. Vanguard has introduced V Investors, a mobile app for the iPhone, Android and iPad that allows any smartphone to access a mobile mini-website, where participants in retirement plans can see their balance, get information on funds in their plan, track their performance history, and execute transactions.

“We’re also adding more news. For example, at this time of year we’re talking about taxes, how to use IRAs, and whether you should go to a Roth IRA,” Cribbs said. “We’re investing a lot of time and research in the mobile space, because that’s where people are consuming information now. But we only use mobile devices to contact clients if they request it. We have no interest in driving people crazy.”

“We originally thought mobile apps would complement other contacts, but actually mobile is increasingly becoming the only contact method for some people, including people who before might have been too busy to contact us.” And, somewhat to Vanguard‘s surprise, instead of cannibalizing conventional web traffic, mobile devices are steering people to the Vanguard website.

Cribbs doesn’t see Vanguard following Putnam’s strategy. “It’s not part of our strategic objective to get involved in people’s shopping decisions,” she said. “We feel we’ll get more loyalty and engagement from our clients by helping them manage their accounts and build them. Our goal with apps is to expand the engagement model.”

Also cautious about apps is Jefferson National, which first used them as a marketing vehicle. “As a test case, we introduced a more marketing-driven app than something fundamental,” said Jefferson National COO David Lau. “It’s a set of testimonials by advisors about our services, and it’s gotten a really good response. Now we’re taking it to the next level, putting some of our calculators and other online tools on mobile devices.”

Because of security concerns, Jefferson National isn’t offering advisors mobile access to customer accounts. “You see some banks adopting apps that do that,” said Lau, “but security for advisors is a big issue. They could lose their whole customer base with a security lapse. It’s too big a risk for advisors to take.”

Quickly or cautiously, the retirement industry can’t help but move into the world of smartphones and mobile apps. As for security concerns, most companies told RIJ that it’s not a huge issue, even though smartphones are easily lost or stolen. “Security is more of a perceived than a real risk,” says OpenMatters CEO Libert.

Of course, such serenity will last only until the first big mobile app security breach occurs. Until then, the mobile arms race is certain to accelerate. Maybe someone will even create an app that helps people locate the cleverest financial app.