
Five lessons for advisors from Vanguard CEO

By Editorial Staff Thu, Jan 28, 2016

"Financial advice is having a moment," Vanguard CEO Bill McNabb said in a release. "The best advisors are seizing this moment to tell their story."

Advisors shouldn't fear but rather should take advantage of the demographic, technological and consumer-oriented regulatory factors that are roiling their industry, said Vanguard CEO Bill McNabb in an address at ETF.com's *Inside ETFs* Conference in Hollywood, Fl., this week.

Vanguard's large family of ETFs and index mutual funds, its low-cost, direct-to-consumer business model and its hybrid robo/human advice services have made it a beneficiary of current trends. According to Morningstar, Vanguard captured more fund flow in 2015 than the next nine mutual fund companies combined.

"Financial advice is having a moment," McNabb said in a release. "The rise of more technology-based solutions has made advice part of a national conversation in the financial press and in the popular media. The best advisors are seizing this moment to tell their story."

McNabb offered five concepts for advisors to consider:

We are in a low-cost revolution. Today's investor expects to pay less for investment funds and services. Robo offerings are creating a new pricing floor. A traditional advisory firm can provide the in-person, individualized services that a robo advisor cannot. However, traditional advisors cannot hang their hat on that fact alone.

Advisors must adapt to a changing industry. Financial advice is evolving and technology is part of that evolution. Most advisors have been using financial technology tools for years. How can advisors further automate routine elements of their practice and digitize and mobilize some of the client experience?

In some ways, the world is not as complex. Investments are becoming more commoditized. Portfolio construction also is becoming commoditized. These functions can now be largely automated through model portfolios and even through target-date funds. That's no longer a differentiated selling point for advisors.

In other ways, the world is not as simple. For most investors entering retirement, advice is the answer. And with the Baby Boom generation now entering retirement, demand for advice is great. The questions retirees face are increasingly complex. Rules of thumb and single-product solutions rarely provide a complete answer.

Advisors must tell their story. To differentiate themselves, advisors must explain their value proposition. <http://www.vanguard.com/pdf/ISGQVAA.pdf>

Vanguard has published research showing how advisors can add up to 3% in net portfolio returns over time for their clients with Vanguard Advisor's Alpha, a wealth management framework that focuses on portfolio construction, behavioral coaching, asset location, and other relationship-oriented services.

Vanguard offers 68 low-cost ETFs in the U.S., with more than \$483 billion in assets, up 13.2% from year-end 2014. The firm manages the \$57.4 billion Vanguard Total Stock Market ETF (VTI), the \$40.4 billion Vanguard S&P 500 ETF (VOO), and the \$34.5 billion Vanguard FTSE Emerging Markets ETF (VWO).

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