

The Wealth Management Industry: Digital Disruption and Changing Demographics Are Spurring Change

In a world in which technology is reshaping everything from the auto industry to entertainment to medicine, it should come as no surprise that disruption is coming to the financial services sector. In this changing landscape, financial advisers and wealth management firms are, to varying degrees, adapting.

Doing so presents a host of challenges, one of which is attracting and retaining younger clients. Millennials will gradually control larger amounts of wealth as their baby boomer parents pass on their wealth to their children and grandchildren. Millennials are digital natives who will expect their interactions with financial services firms and wealth managers to resemble the mobile and online experiences they encounter daily in e-commerce and social media.

According to a report from Deloitte titled 10 Disruptive Trends in Wealth Management, the growing generation gap between older advisers and younger clients “makes it challenging for some advisers to understand and adjust to the needs and preferences of a younger generation of wealth, resulting in weakened client-adviser relationships.” Many of these seasoned advisers “have been slow to adapt to new tools, use mobile channels, and evolve toward new advisory models that balances human and science-based advice.”

Stash Wealth, a Brooklyn-based firm focused on serving millennial clients, is addressing that issue. “We are working toward a more digital experience, from account opening to investing,” said partner Priya Malani. “Technology has increased efficiency, allowing us to serve more clients. We don’t market or promote our technology because for our generation, good tech is a given, so it’s not necessarily helping us draw younger clients.”

Stash refers to its clients as “H.E.N.R.Y.”: high earners, not rich yet. Malani said the firm offers numerous touchpoints that any firm hoping for success in today’s market must offer. However, technology isn’t everything. “A tech-only approach is the wrong one for our demographic,” said Malani. “We believe in human first, supported by smart technology. Most firms marketing to millennials



are tech first, with support from a human call center as a secondary offering.”

“Digital tools are helping younger clients find the advisers who can best suit their needs,” said Andrew Altfest, a managing director at Altfest Personal Wealth Management. “Younger clients embrace digital tools and are used to a robust digital experience. Communication platforms allow us to better reflect our clients’ specific interests. For example, are they interested in socially responsible investing, or one industry group? We run communication and programming for different client segments and are able to tailor it to their needs.”

Another trend in wealth management is the rise of so-called robo-advisers, online systems that rely on software-based algorithms and other mathematical tools to choose the best investments for a given client, reducing the involvement of humans in managing portfolios. Robo-advisers offer lower fees than those charged by traditional full-service retirement investment advisers.

WealthFront and Betterment were among the first robo-advisers. According to Betterment’s website, the firm’s approach to long-term investing can help its clients earn 2.66% more per year than a typical investor. It does so by lowering taxes and fees, diversifying portfolios and enabling better investor behavior.

Many firms seek to achieve a balance by employing robo-advising in tandem with human advisers. Morgan Stanley, one of the world’s largest brokerages, is taking this approach with its robo-advising service. According to Bloomberg, the firm will provide its advisers with “machine-learning algorithms that suggest trades, take over routine tasks and send reminders when your birthday is near.” While algorithms alone may make sense for mom and pop investors, the combination of technology and a skilled human adviser will likely remain the norm for firms with high-net-worth and ultra-high-net-worth clients, especially those with sophisticated portfolios and such goals as using their wealth for philanthropy.

“The personal side is key,” said Altfest. “Clients want an adviser to understand and meet their needs. They don’t want an adviser who is just a coach, they want tailored strategies from bright, experienced people that lead to goal achievement.” Stash’s Malani agrees: “Investing is commoditized. It’s all about the service model and the personal touch.”

Altfest is investing heavily in technology, much of which is on the client-experience side. “We offer clients a digital financial manager, which allows them to see all their accounts in one place, as well as tax, estate, insurance, investment—other financial documents, and firm communications. Our planning is becoming live, keeping real-time information about client income, expenses, and account values.”

This supports the Deloitte report’s claim that “science-based advice” isn’t likely to fully displace human-based advice, “nor are robo-advisers likely to disintermediate financial advisers in a major way.” According to the report, the new technologies “may draw customers who could not previously afford a personal adviser, or were not comfortable with human-based advice—potentially expanding the advice market.” Overall, while most investors value a personal relationship with an adviser, digital technologies can enhance and improve that experience.

With the world awash in data from a wide range of sources, advisers of all sizes can seek ways to leverage that data to better serve their clients. Firms can turn to technologies such as machine learning, analytics and artificial intelligence to bolster the power of their portfolio-management platforms while maintaining a human touch.

Digital trends will continue to disrupt all corners of the business world. Wealth management firms that embrace change while building on their traditional strengths can create a user experience that appeals to all clients: older people who prefer a one-on-one approach, digital natives who live on their mobile devices and want fluid touchpoints—and everybody in between. The coming years are likely to be exciting and challenging for wealth management firms of all sizes.



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Altfest Personal Wealth Management

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Altfest seeks to provide clients with fully objective advice, based on deep experience and strong fundamentals in a fee-only, custom financial planning and investment management process in which its advisers receive no commission. Under the leadership of founder Lew Altfest, the firm's advisers determine a client's time horizon, spending, risk tolerance, and lifestyle vision. It evaluates assets, compensation, and property ownership to design a portfolio that maximizes tax benefits through skilled asset management, asset allocation and diversification, and a proprietary Total Portfolio Management™ system.

Apexium Financial

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Apexium Financial was founded in 2016 through a joint venture between Capstone Wealth Management and Citrin Cooperman Wealth Management. It offers independent, fee-based investment management, as well as expertise in insurance, estate planning, retirement and financial planning. It is affiliated with the accounting firm Citrin Cooperman, which was formed in 1979 and has more than 170 tax partners. The firm takes a "holistic" approach to investment management that includes in-depth assessments of the correlation between risk and return, an optimized asset allocation crafted for each client based on their situation, and ongoing analysis and reporting.

Berdon LLP

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Berdon LLP, founded in 1917, is consistently ranked among the nation's top accounting and advisory firms. As a long-time adviser to family offices and high net worth individuals, Berdon has a deep understanding of the subtle and direct interplay between the needs of the family, the individual members and the business. The firm's approach is to gain an understanding of its client's objectives — focusing on each client's goals and unique concerns to ensure the services provided are customized, accurate and valued.

With more than 400 professionals and staff, Berdon provides its clients with an array of accounting, tax, financial, and management advisory services. Berdon's professionals keep to the highest standards, deliver technical excellence, and exhibit professionalism in all that they do, in a culture that fosters teamwork and innovation. These principles have always been the cornerstone of Berdon and have propelled the firm into its second century of service.

Blue Spark Capital Advisors

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CONTACT: **Maura Griffin, founder**

Blue Spark is a boutique, fee-only registered investment advisory and financial planning firm based in New York City and the Berkshires. The firm offers planning and investment management services and financial coaching based on the notion that markets do not always rise, nor do they fall forever. It advocates a "measured approach" to mitigate risk and uses a select group of low-cost actively and passively managed mutual funds and ETFs based on an institutional method of broad diversification. Maura Griffin, founder states, "The purpose is to fund current and future financial objectives, so every portfolio must take into account each person's goals, tolerance for risk, need for current income or liquidity, and many other considerations such as income and estate taxes. A main objective is to reduce risk through diversification."

Brooklyn Plans

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CONTACT: **Kristen Euretig, founder**

After working in the financial services field with high-net-worth clients and low-income New Yorkers, founder Kristen Euretig launched Brooklyn Plans "to address the void in the financial planning industry for women in their twenties to early forties to access reliable, independent financial advice and services." The firm partners with Betterment for Advisors to manage investments based on a goals-based approach, and creates personalized financial plans for professionals, entrepreneurs, couples, and growing families.

Capstone Wealth Management

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Capstone Wealth Management Group is an independent, fee-only investment advisory firm, compensated directly and only by its clients. Advisory fees are based on a percentage of assets under management. The firm receives no commissions, referral fees, or compensation from any outside source to sell products. All Capstone advisers are Certified Financial Planners. The firm offers financial planning services on an hourly basis for individuals regardless of asset size. Clients can implement their investment plan through Capstone, another adviser, or by themselves.

Clarfeld Financial Advisors

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Clarfeld takes what it calls a fully integrated, multi-disciplined approach to managing the financial affairs of affluent families, practiced within the context of a single service environment with a

customized and integrated planning and investment process. The firm manages more than \$6 billion of assets on behalf of clients who include senior corporate executives, professionals, business owners, and high-net-worth individuals and their related entities including trusts and charitable foundations. It seeks to help its clients thrive amid changing market cycles and shifting income and estate tax laws.

The Doman Group

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CONTACT: **Mark Doman, chief executive and founder**

The Doman Group is a multi-family office. Client money is held in traditional banks, but the firm makes independent financial decisions. The firm "uses access to the financial products available at the larger institutions with a focus on providing each client with the best possible financial outcome." Doman is a federally registered investment adviser with the SEC, which mandates that it must invest for its clients' best interests. It offers bill payment and monitoring; financial planning; relocation services; credit monitoring, analysis, and restoration; and collaboration with large financial institutions as a measure to ensure client security. Doman claims to serve the role of a seasoned CFO in the field of business management and is positioned to help its clients achieve long-term financial success in multiple arenas.

First Republic Investment Management

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CONTACT: **Advisory Desk**

First Republic provides customized solutions in a collaborative approach to address a client's financial picture and help them meet their long-term financial objectives and goals. Through private wealth management and full-service private and business banking, First Republic offers services such as financial planning, investment management, brokerage services, trust services, insurance services, and foreign exchange. The firm doesn't have proprietary mutual fund products, and thus is able to provide a broad range of brokerage, trading, and custody services. Portfolio managers deliver customized investment advice to individuals, companies, governmental entities, and many nonprofit organizations.

Frisch Financial Group

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Frisch, which has offices in Manhattan as well as Melville, White Plains, and Tampa, Fla, develops wealth management plans in partnership with its clients. An investment team of five advisers recommend strategies and investments based on the changing circumstances in the market, the economy, and their clients' personal situations. Members of the team share different ideas and debate varying opinions to make sure that potential consequences of any action

are thoroughly considered, and monitor individual stocks, bonds and alternative investments using both fundamental and technical analysis to identify investment opportunities. The goal is to determine the best parts of multiple investment methodologies and intertwine them.

Joel Isaacson & Co.

URL: www.joelisaacson.com

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CONTACT: **Joel Isaacson, founder & chief executive**

For more than 20 years, this independent firm has offered fee-only wealth management services to its clients. It provides comprehensive planning, wealth management and sophisticated tax strategies for over 700 clients. Services include: investment management, cash-flow management, estate planning, tax planning, employee benefit coordination, insurance planning, and retirement planning.

KBK Wealth Management

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KBK is an independent boutique wealth management firm. The full-service firm does more than manage clients' investment portfolios—it examines every part of their financial lives, including goals, retirement planning, estate planning, business succession, tax planning and preparation, trustee services, long-term care planning, asset protection, and college planning. The firm partners with the broker-dealer Commonwealth Financial Network, which is independently owned and managed, allowing it the freedom to allocate resources where they're needed and to act in the best interests of its financial advisers and their clients—not shareholders. A client portal offers financial tips, retirement news, a financial calculator, web resources, and articles.

Merrill Lynch Wealth Management

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CONTACT: **Advisory desk**

Merrill Lynch is one of the most well-known and highly regarded wealth management firms in the industry. It regularly holds a spot on "best of" lists published by Barron's, Institutional Investor, and other industry publications. Merrill Lynch has more than 14,000 advisers nationwide, as well as more Certified Investment Management Analysts and more advisers ranked No. 1 in their states than any other firm in the sector. The firm's relationship with Bank of America, its parent company, gives it access to a wide range of resources that can benefit clients, who can receive advice on a variety of issues, from college savings plans and taxes to margin lending and home financing.

Morgan Stanley Private Wealth Management

URL: www.morganstanley.com/what-we-do/wealth-management

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CONTACT: **Advisory desk**

The firm "combines the vast resources of a global financial leader with the tailored services of an exclusive wealth management boutique." It has more than 250 teams located across the U.S. that specialize in planning, governance, liability management, and investing needs for affluent clients. Clients gain access to Morgan Stanley's specialists in asset allocation and manager selection, as well as an open platform offering a wide selection of traditional and alternative investments.

Northern Trust Wealth Management

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Northern Trust Wealth Management specializes in Goals Driven Wealth Management™ to provide clients with a solid foundation for making decisions with confidence and helping ensure they don't leave their goals to chance. With a wide network of wealth management offices across the United States, backed by innovative technology and a strong fiduciary heritage, Northern Trust is ranked among the top 10 U.S. wealth managers with \$284 billion in assets under management as of Sept. 30, 2017. The Financial Times Group recently named Northern Trust Best Private Bank in the U.S.; Best Private Bank for Family Offices, Globally; and Best Private Bank in the U.S. for Succession Planning. The Northern Trust Company is an Equal Housing Lender. Member FDIC.

Ray Mignone & Associates

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CONTACT: **Ray Mignone, founder**

Ray Mignone & Associates is a fee-only personal financial advisory offering independent financial planning and investment management services to clients in New York City and elsewhere in the U.S. The firm provides a personal risk assessment, investment review, a professional portfolio design and ongoing active investment management. It evaluates, recommends, monitors, and reports on other assets that a client may want held elsewhere but for which they want oversight, such as a company 401(k) plan, certificates of deposit, annuities, or inherited securities with low tax basis. It helps clients manage cash flow, and advises on tax, estate, retirement, and insurance planning. One of the firm's specialties is helping medical professionals manage their money.

Stash Wealth

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With a focus on Millennials, to whom it applies the moniker "H.E.N.R.Y"—high earners, not rich yet—Stash bills itself as a firm that "isn't your father's financial adviser." It says its advisers "help you better understand how to be money savvy, build a personalized financial game plan to achieve the lifestyle you want, and do it with the least amount of compromise. We've made financial planning more attainable for our generation because the truth is, the earlier you

start, the more successful you'll be—even if you start with nothing (or in the hole!)." For a one-time fee, Stash will get clients started by evaluating their situation; optimizing credit cards, student loans, 401(k) plans, stock options, and emergency funds; uncovering financial goals; helping automate savings plans; consolidating financial accounts; developing an investment strategy; and answering questions related to money, including how to save on taxes.

UHY LLP, Certified Public Accountants

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UHY LLP is one of the top professional services firms in the U.S., and a member of UHY International, one of the largest accounting networks in the world.

As a high-net worth individual, one needs customized professional services with an elevated level of personal attention. This applies whether financial investments are domestic in nature or if they involve cross border activities. UHY has cultivated a reputation for attentive global service, wise advice, and a professional demeanor that stimulates client confidence. From sophisticated planning to routine bill paying, their private client services group is uniquely positioned to provide a complete range of planning and compliance services to families and family offices. Whether an individual is planning for retirement, investments, estate planning, long-term care or insurance needs – each requires complex tax and financial planning expertise. With decades of experience serving a variety of high-net worth individuals, business owners and others from around the globe, UHY has specialized service offerings suited to your specific needs.

Withum

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Founded in 1974, Withum ranks in the top 30 largest public accounting and advisory firms in the country with offices throughout New Jersey and in New York City, Boston, Washington D.C., Orlando, Aspen and Grand Cayman. With nearly 1,000 team members, 750 professionals and 450 CPAs, Withum provides accounting, audit, tax and business advisory services to a variety of industries across the country and around the globe. Withum empowers clients with innovative tools and solutions to address their audit, tax and business advisory needs. The firm's highly responsive teams of professionals offer deep industry expertise and service experience to help their clients grow and thrive – to Be in a Position of Strength.

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