The B2B Success Triangle: 3 Core Essentials for WealthTech Platforms

Jacqueline Ko Matthews, who previously managed ultra-high-net-worth (UHNW) family offices, is now developing one of the most promising WealthTech platforms that will democratize UHNW asset and strategy diversification. What made her take such a U-turn? Let's discuss.

Every single person who has ever been involved in high-net-worth portfolio management knows that it's ultimately an expensive, labor-intensive, tedious process. Only the ultra wealthy can afford to have a team of staff able to cope with the task. The same problems plague advisors in the less expensive market classes, as advisors' fees continue to be compressed. What could help them is growing in scale; however, it's almost impossible taking into account what customization level it requires.

> "FinTech is so important because it allows scaling without losing profitability. However, to do that, platforms should combine the best of both worlds: robo automation and the ability to meet sophisticated needs of a UHNW multi-strategy approach."

However, most robo advisors just do simple, passive buy and hold and try to disrupt human wealth managers. There's merit in this when building a B2C platform, but not really when building a B2B platform meant to empower human advisors. The problem with B2C is the extremely high costs of client acquisition (estimated to be up to nearly $1,000 from various sources, including Morningstar) while robo consumers tend to have an average account size of only $30,000 earning just 15-25bps. As a result, profits are marginal to negative and the business model is really difficult to monetize. Platforms understand this and try to mix both B2C and B2B models to capture as many clients as possible. Thus, a myriad of commoditized solutions enter the market.

> "Betterment offers advisors really the same platform that they offer in the B2C phase and just slap their logo on the top. Companies should empower advisors, not disenfranchise them."

Scalable, **cost-effective**, and **customizable** at the same time—is it really possible to combine these aspects in a wealth-management platform?

B2B platforms done right

Jacqueline realized that the goal isn't to disrupt the advisor's way of doing business, but rather to fit into their ecosystem and provide value added. Meanwhile, investors are getting smarter; they're increasingly willing to understand what's going on with their investments and take an active part in the process. There's going to be a big move to personalization, which means that platforms should allow advisors to customize down to **each individual client account.**

Also, Jacqueline believes that platforms should differentiate themselves by adding more diversification powers. Regarding her own product, **Investment POD**, which stands for Passive, Opportunistic, Defensive, she has implemented core strategies to choose from and combine with the in-house strategies of an advisor. These cover three major investment styles: passive buy and hold, opportunistic tactical asset allocation, and defense risk management. This allows advisors to have more choices in diversifying their clients' portfolios across both asset and strategy diversification to create the portfolio that weathers the market storms. The model has turned out to be beneficial for to the advisor—it allows advisors to increase their productivity workflow from a maximum of 75 households per human advisor to 300 while providing differentiation through dynamic indexing and highly scalable personalization.

> "It takes time for people to adjust and accept change. It's hard work to be ahead of a trend, convince all the people you work with to be comfortable with that change. I think this leap of faith was the hardest part."

Good ideas are always rewarded. In 2018, **Investment POD** became a Season 1 Winner at the ScratchWorks FinTech accelerator at the Barron's Top Independent Advisors Summit and 2018 Winner of Wealth Management.com's Digital Robo Advisor of the Year. The platform was duly appreciated by the judges and investors and given a huge marketing boost. But the most important factor is that numerous customers around the world can now see and utilize the true value of the highly customizable portfolio-allocation approach.

The bottom line

Investment advice automation can help to scale services at a reasonable cost. However, passive investment automation alone isn't enough to enter the B2B space. Platforms should deliver value in the form of customization and innovation; in that case, the success is assured.

About

Jacqueline Ko Matthews started as an investment banker at Goldman Sachs. Later on, she took part in spearheading the Asia Pacific investment banking business under CEO Robert Rubin, who became US Treasury Secretary. Jacqueline has managed US Senator Mark Warner's $200m AUM family office, as well as other top-level high-net-worth clients. Today, she's founder and CEO at Investment POD, the industry's only multi-strategy automated investing platform. Investment POD became a Season 1 2018 Winner of the ScratchWorks FinTech acceleratorand 2018 Winner of Wealth Management.com's Digital Robo Advisor of the Year.