THE INVISIBLE INFLUENCERS SHAPING OUR PROFESSION – A LOOK AT THE ADVISOR BUSINESS MODEL FROM CARSON GROUP

Ron Carson — Founder and CEO of Carson Group
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For our Advisor Insights series, we have asked guest bloggers from established financial advisory firms to provide their views on the market and changes in the industry. Carson Group is an independent family of companies that includes Carson Wealth, Carson Coaching and Carson Group Partners, led by Barron's Hall of Fame advisor Ron Carson. We asked him to participate in a Q&A around current trends in the market and the industry.

WisdomTree: *What are some of the risks you're seeing in the market today?*

Carson: We believe there has been some risk creep in portfolios today—especially when it comes to fixed income. Some investor portfolios, without an advisor considering their interests, have increased portfolio risk in the search for yield. We think this approach is potentially exposing some clients to an unnecessary risk.

WisdomTree*: What would you see as a potential solution?*

Carson: We believe there are a number of ways to smooth out returns and enhance portfolios in a systematic way. Using a bucket approach, advisors can attach different time horizons to different buckets of assets, so, for example, the first few years of withdrawals can be taken care of while the rest of the portfolio has time to grow. We believe this approach could help to more effectively manage risks while better enabling clients to pursue their short- and long-term needs.

WisdomTree: *What is your take on some of the current market events—for example, China?*

Carson: We have been talking about China for a long time. And while it looked like there might be a deal, there hasn't been—at least for now. Some of the risk of no deal being signed is priced in already, but if no deal occurs, we expect additional pressure on stocks. Ultimately, we believe there will be some kind of a trade deal with China because the U.S. needs them and they need the U.S., but we are also competitors. Even if there is a deal, we expect to see flare-ups going forward.

WisdomTree: *What other market concerns do you have?*

Carson: We believe there's always a risk when one country, style or sector has been outperforming for a long time. Currently, the U.S. has been doing well for a good, long time. And in the U.S., growth and technology stocks have been outperforming for a long time, too. Our concern is whether or not investors have pushed it too far. Because recession risks are rising, we need to be prepared, because the market could react strongly to any economic number that misses.

WisdomTree: *So where do you see the opportunities outside the U.S.?*

Carson: We believe that some pockets of valuation have been created. Our individual stocks continue to find values. While Europe has some structural challenges, the market could react well if they do end up making positive changes. Emerging markets are fairly attractive to us, but we believe investors should make sure they are truly diversified.

Industry Trends

WisdomTree: *What are some of the key trends and challenges advisors are facing today?*

Carson: Advisors face a "perfect storm" with multiple factors influencing the future of our profession. From an aging advisor population and fee compression to the cost of technology, the looming possibility of a down market and rising expectations from our clients, advisors have so much to contemplate in the growth of their businesses. Another invisible influence we've seen is the changing regulatory environment and how these shifts in standards are molding business models. From assessing whether or not the proposed DOL changes will make their return to meeting fiduciary requirements—and everything in between – advisors must operate at a more efficient and effective level than ever.

WisdomTree: *Expanding on the factor of industry regulation, how do you see advisors navigating the changing environment?*

Carson: Advisors have enough hats to wear each and every day to keep their businesses afloat. It's our belief that advisors always operate in their clients' best interests. To do so, of course, can be time-consuming and draining, especially if you are responsible to take it all on as a solo advisor. This is where advisors can get so much value from partnering with a firm that can provide much of the backend operations and infrastructure the advisor needs, so they are able to focus on better serving their clients and attracting new business. Partnering with the "right fit" organization can allow advisors to leverage:

1. Proven processes that are already in line with compliance regulations
2. Professionals whose job it is to stay on top of changing regulations
3. Pre-approved marketing materials and value-added content

We believe all of this—and more—is absolutely critical in order for advisor teams to focus on growth while also serving as true fiduciaries.

WisdomTree: *What about fee compression—do you believe it's still a concern for advisors?*

Carson: Fee compression is one of those factors that is operating under the radar for most advisors. They see top-line growth with good market performance and inflated fees, while the cost of running a firm continues to rise. Not to mention, investors are better educated on what they should be paying and are demanding more value for every dollar spent. The value advisors provide is no longer in investment management. That is table stakes. Firms should consider a planning-centric approach that opens the door to being a more well-rounded financial coach overseeing all areas of a client's financial life—and tying all activity back to their own personalized goals and outcomes. We believe this approach helps to reinforce an advisor's intangible value while doing a better job of maintaining client emotions in the midst of market volatility. We're practically one market correction away from exposing those who haven't built their business in this holistic way.

WisdomTree: *How do you see technology helping advisors?*

Carson: In our opinion, many advisors today are being constrained or distracted by their ability—or inability—to serve clients well. Most firms operate on the outdated systems and antiquated technology of yesteryear. Too many are trying to rearrange the furniture while the roof is on fire. They're simply not seeing the danger they're in when considering how much it takes to build a robust offering that can compete with client expectations. And this is where technology falls front and center. The right technology can give clients a frictionless experience that delights and showcases value beyond a doubt. It's why we've spent more than $70 million on our ecosystem in the past few years. Using a bionic approach (technology that highlights the human element) can enable advisors to elevate their client experience by:

- Better serving clients where they are
- Better articulating the intangible value advisors provide
- Driving more meaningful interactions

Equipping your firm with the right technology can help advisors not only serve more clients, but do so more effectively—all while enriching the advisor-client relationship. And that is how technology can reinforce trust and transparency, which is the ultimate goal of any client-centric advisor.

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