

HIGHLIGHTS FROM F2'S 2023 WEALTHTECH OUTLOOK REPORT

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WisdomTree recently had the honor of sitting down with Doug Fritz, Co-founder and CEO of F2 Strategy, to discuss their 2023 WealthTech Outlook Report. F2 Strategy is the leading boutique management consulting firm helping complex RIAs, wealth, asset and multi-family office firms improve their technical capabilities across the entire client and advisor experience.

The 2023 WealthTech Outlook Report highlights the major trends in technology, gleaned from a survey involving 80 RIAs, wealth managers and asset managers representing more than \$20 trillion in AUM. Below is an abbreviated version of the conversation we had with Doug—access the complete transcript of the conversation [here](#).

WisdomTree: What would you say is the main takeaway of the research report in the 2023 outlook?

Doug Fritz: The headline of our research is that 2023 is the year the wealth management industry is taking tech seriously. I remember when it was hard to get people to even think about things like data or digital experience or really allocate operations expense to things that didn't directly relate to salaries and head count and building or acquisitions of other wealth firms. But the infrastructure, the technology, how do we operate, those types of spends, has taken off.

There's now a gold rush on getting better technology and better technology talent into an organization, that the industry hasn't seen before. There's a significant acceleration by competitive wealth firms to get the tools, they all realize now are critical to managing and keeping clients, within their four walls.

WisdomTree: One trend that we've wanted to cover, which you have in the outlook report, is that 78% of firms are planning to increase their tech resources in the next two years. How do you suggest that the [RIA](#) and [IBD](#) community best leverage technology to differentiate themselves when the rest of their peers are spending money on this?

Doug Fritz: People realize they need some level of expertise in their firm to be able to do the things that they're expected to do. They all have [CRMs](#) now, that's fantastic, but who's going to make the changes to the CRM when they have a process flow, want to change the risk tolerance process or want to integrate financial planning?

In some cases, they try to use an operations person to become a technical person. That pays off occasionally, but, generally, that's not how the person was trained, and they don't really have a career track for that, so there's an emerging need for formal roles, within traditionally non-technical organizations, for technology talent.

We're seeing a trend over the last four years of not just hiring more [tech] people, but an increased investment in maintaining the people you have. That generally means paying them more, but it also means giving them flexibility, giving them projects with different tools, things that are going to keep them there and keep them motivated.

WisdomTree: One key takeaway is that to best leverage technology, you need at least one person that spends some time thinking about how all of these technology resources connect with each other.

Doug Fritz: Totally true, it's one of those universal things that any firm can do. Everybody can do this—think through, and document, what you want the prospect and client experience to be. How should it feel to work with you as a firm from the outside in. Then, draw that experience out and make your technologies achieve what you want the experience to be. A significantly larger percentage of firms have no idea what they want the experience to be.

So, sit down and just draw out what you want that experience to be, walk back into the same technology vendors and say, "How can I create an onboarding experience where this prospect provides information one time within

the entire journey, and it's captured and curated all the way through the experience?"

Unfortunately, we see a lot of firms that spend a bunch of money and time mucking around integrating stuff that doesn't need to be integrated.

WisdomTree: What can advisors do to free up time from the operational nightmares of building, trading and managing client portfolios?

Doug Fritz: It's one of our favorite topics because it brings together a couple of different threads that we all understood, but we're starting to see significant impact from them. The first thread is that maybe spending time trading and managing client portfolios is not my highest use of time. If I want to truly grow and create happy clients and have great outcomes for them, maybe spending time in the construction of client portfolios is not my highest calling.

The other thread is the need for client personalization, which sounds counter to that. On the surface, it sounds counter for me to need to spend time customizing things, but if I can't customize because of my tools, if I'm working at Schwab or Fidelity or Pershing, the tools that I have typically aren't going to allow me to give that hyper level of customization that a proper, outsourced CIO function would.

Luckily, there are a few solutions in the marketplace for this confluence of 'don't spend your time, your highest quality time, customizing every portfolio' and the need for customization. It is pushing toward technology and firms that have the optimization and reporting and inputs/outputs function to do a great job. We're excited to see it.

WisdomTree: What kind of trends have you perhaps noticed, or that you think, going forward, that asset managers are going to be helping in the tech stack, whether that's investments or not?

Doug Fritz: If you're a smaller firm and you're from the Doug Fritz's \$15 million to \$20, \$30 million in assets, you need the help. The WisdomTrees of the world have a lot more money, technology firepower and intelligence than I'm ever going to get. The optimization tools in tech that a WisdomTree can bring to a client experience, it's like the Jetsons to the Flintstones in terms of what most wealth firms can have in-house. I don't see any resistance, zero resistance, to taking an asset management partner up on those services.

But the historic fear was, if I use the tool of that asset manager, I was either locking myself into a certain model or over-weighting or biasing on one way or the other. That's gone now. And, fundamentally, people need to be open and fair, they need to be putting the right assets in client portfolios.

But, if you're talking about S&P 500-tracking ETF A versus its 10 different replicants, the difference one to the other is fairly minor. The ETF provider that gives me those services and that optimization and that expert oversight is worth a ton. And I know from our work with our smaller wealth firms, that sentiment is shared across the board.

WisdomTree: What is the main takeaway for advisors?

Doug Fritz: If you're an advisor at a large shop, help is on the way. They're spending more money on technology this year than they have historically. If you're a smaller advisor in a smaller shop, your peers are spending money and taking a different focus on it. Maybe three or four years ago, there were only a few firms really leaning forward, but that FOMO thing hit and that rush is on right now.

Think about your client journey and what your end experience is with your clients and prospects and find ways that technology can take cost out and increase the amount of time you spend on really critical things.

Look at what your peers are doing. If you're not actively employing good tech talent, find ways to get access to it. That's part of what F2 Strategy does—it gives people fractional access to technology experts. Or if you need to hire someone, we actually do help you hire tech talent as well.

We want to thank Doug for his time and for providing an overview of F2's 2023 WealthTech Outlook Report. We believe it's insights like these that fuel the creation of the tools, technology and resources we build and provide to advisors, which can help them save time and raise the efficiency of their practice.

For instance, [WisdomTree's Portfolio & Growth Solutions](#) is a program designed for advisors to collaborate with us to build, manage and trade customized Model Portfolios for their practice. The program also offers advisors access to a suite of growth solutions, including workshops, presentations and practice management, that can help them grow their practice.

Financial advisors interested in learning more about WisdomTree's services can fill out the form below or send us an email at wtpg@wisdomtree.com.

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