

Lesson 46: Wealth Management Systems

Module 4: Traditional Digital Finance

BSc Digital Finance

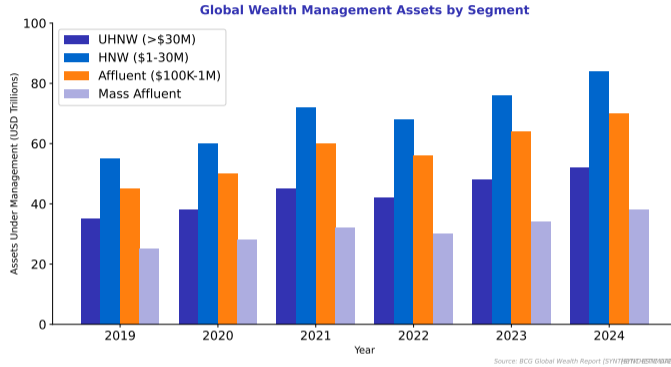
Platforms, Hybrid Models, and Technology

By the end of this lesson, you will be able to:

1. Understand wealth management technology stack
2. Compare private banking vs. mass affluent platforms
3. Explain hybrid human-digital advisory models
4. Analyze portfolio management systems
5. Evaluate client onboarding technologies



Global Wealth Management AUM



Global wealth management AUM continues to grow driven by high-net-worth expansion.

The Wealth Management Landscape



UHNW/Private Banking

- \$30M+ assets
- Dedicated relationship manager
- Bespoke solutions

HNW/Affluent

- \$1M-\$30M assets
- Team-based service
- Tiered offerings

Mass Affluent/Retail

- \$100K-\$1M assets
- Digital-first approach
- Standardized products

Global wealth: \$463 trillion AUM (2023), growing 5% annually

Front Office Systems

- Client Relationship Management (CRM)
- Financial planning tools
- Client portal/mobile apps
- Advisor workstation
- Document management

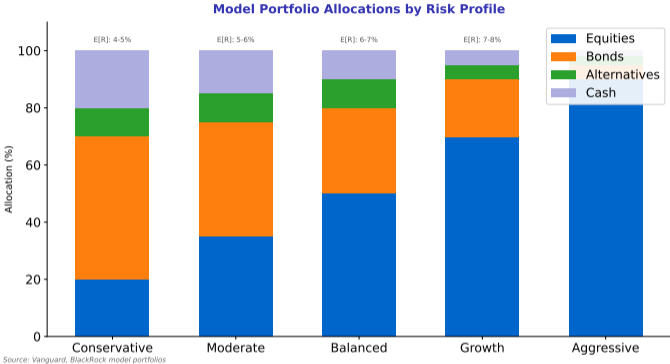
Middle Office Systems

- Portfolio management
- Performance measurement
- Risk analytics
- Compliance monitoring



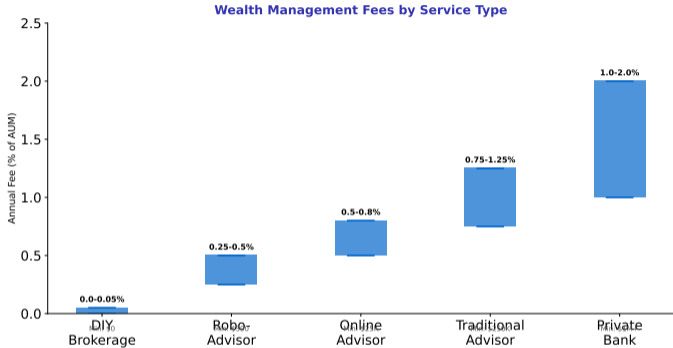
Integrated platforms vs. best-of-breed component approach

Strategic Portfolio Allocation



Strategic asset allocation drives long-term portfolio returns.

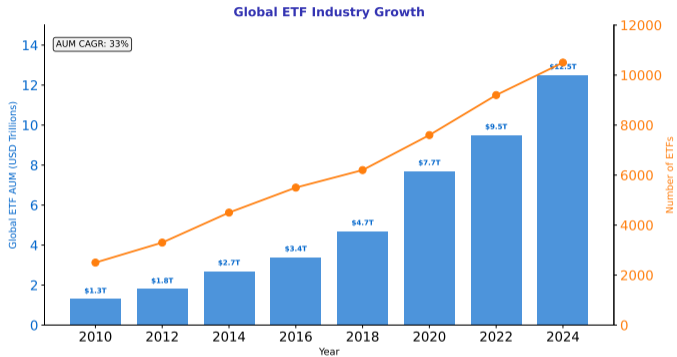
Wealth Management Fee Comparison



Source: Kitces Research, Backend Benchmarking, Cerulli

Fee structures vary significantly across wealth management service models.

ETF Market Growth



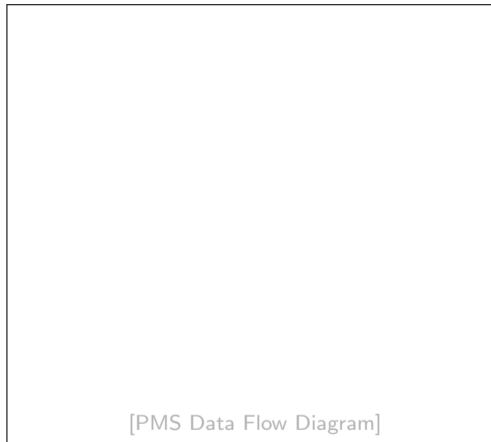
ETF growth has transformed passive investing and fee compression.

Key Vendor Landscape

Vendor	Focus
SS&C Advent	Multi-asset PMS
BlackRock Aladdin	Risk + Portfolio
Charles River	IBOR platform
SimCorp	Buy-side suite
Temenos	Private banking

Core Functions:

- Position keeping
- Trade order management
- NAV calculation
- Client reporting



IBOR (Investment Book of Record) becoming central to modern architecture



Step 1: Identity

- eKYC verification
- Document upload
- Biometric capture

Step 2: Suitability

- Risk profiling
- Investment goals
- Time horizon

Step 3: Account

- Account opening
- Agreement signing
- Funding setup

Step 4: Portfolio

- IPS creation
- Asset allocation
- Investment mandate

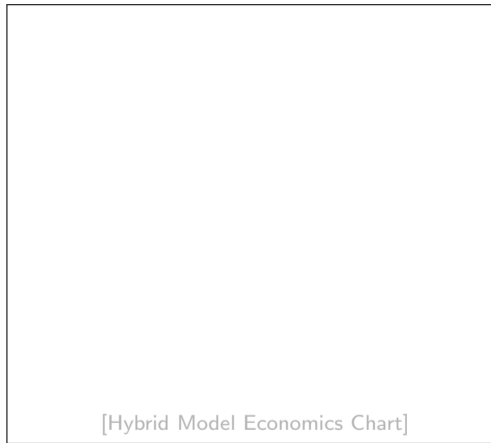
Digital onboarding reduces time from weeks to hours

Pure Digital (Robo)

- + Low cost (0.25-0.50%)
- + 24/7 availability
- + Consistent advice
- Limited personalization
- No emotional support

Hybrid Model

- Digital for routine tasks
- Human for complex decisions
- Video calls on demand
- Scalable yet personal



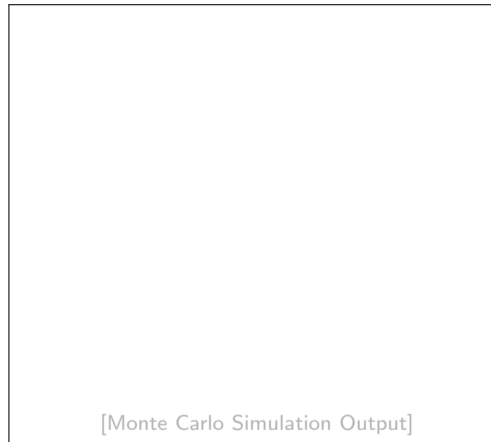
Vanguard Personal Advisor Services: hybrid at 0.30% with \$200B+ AUM [Source: Statista, Backend Benchmarking 2024]

Planning Software Features

- Goal-based planning
- Monte Carlo simulation
- Tax optimization
- Estate planning integration
- Insurance analysis
- Retirement projections

Leading Platforms:

- eMoney Advisor
- MoneyGuidePro
- RightCapital
- Orion Planning



Monte Carlo: 1000+ scenarios to estimate probability of meeting goals

Return Calculation Methods

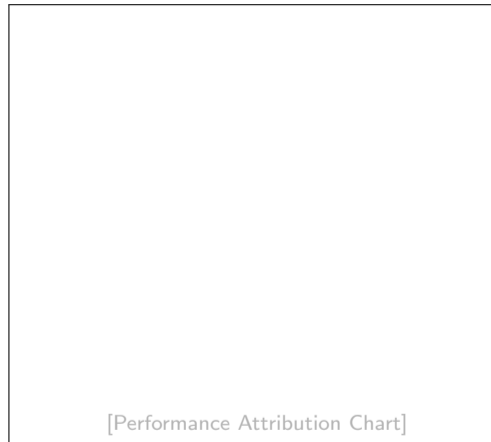
Time-Weighted Return (TWR):

$$R_{TWR} = \prod_{t=1}^n (1 + R_t) - 1$$

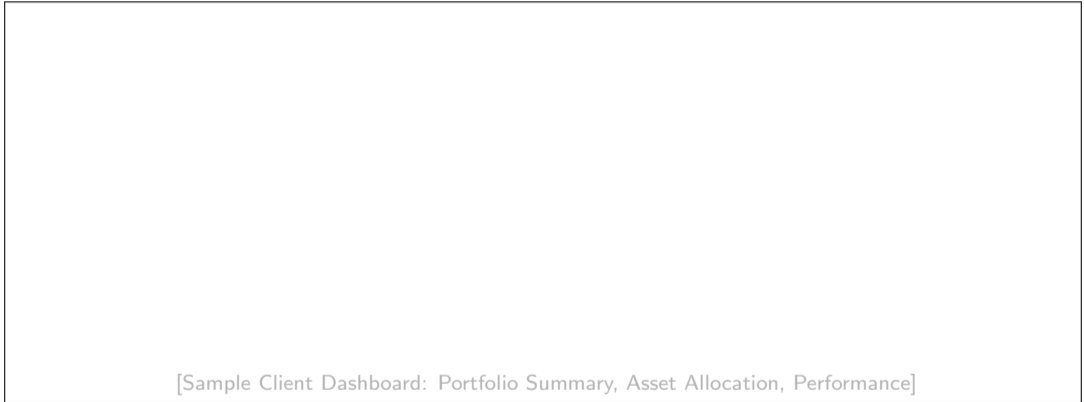
- Removes cash flow impact
- Standard for manager comparison

Money-Weighted Return (MWR/IRR):

- Includes timing of flows
- Reflects client experience



GIPS (Global Investment Performance Standards) ensure comparability



Standard Reports

- Monthly statements
- Quarterly reviews
- Annual tax documents

Self-service reporting reduces advisor burden by 30-40%

Interactive Features

- Real-time valuations
- Drill-down analytics
- Document vault

Delivery Channels

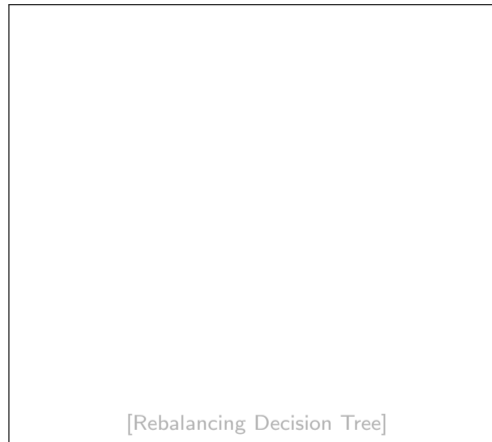
- Client portal
- Mobile app
- API access

Model Portfolio Approach

- Centralized investment decisions
- Consistent client experience
- Scalable implementation
- Tax-efficient transitions

Rebalancing Strategies:

1. Calendar-based (quarterly)
2. Threshold-based (5% drift)
3. Tax-aware opportunistic
4. Cash flow rebalancing



Direct indexing: customized model portfolios at individual security level

How Direct Indexing Works

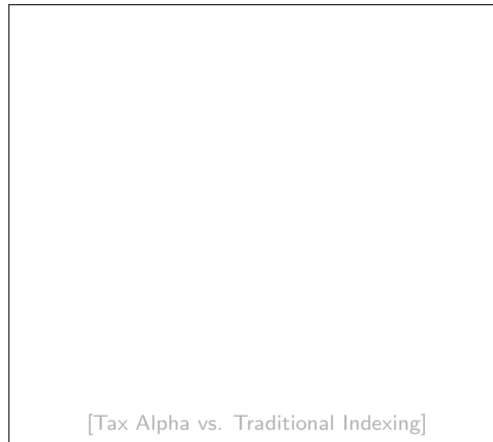
- Own individual securities (not fund)
- Track index performance
- Harvest tax losses daily
- Apply ESG/custom screens

Tax Alpha Potential:

$$\text{After-Tax Alpha} = T \times L \times r$$

Where:

- T = tax rate (e.g., 37%)
- L = harvested losses
- r = reinvestment return



Parametric, Aperio, Wealthfront pioneering direct indexing technology

Key Regulatory Requirements

- MiFID II (EU) - suitability, costs
- Reg BI (US) - best interest standard
- AML/KYC - client identification
- Cross-border taxation (FATCA, CRS)

Technology Solutions:

- Suitability testing engines
- Cost disclosure automation
- Transaction monitoring
- Regulatory reporting



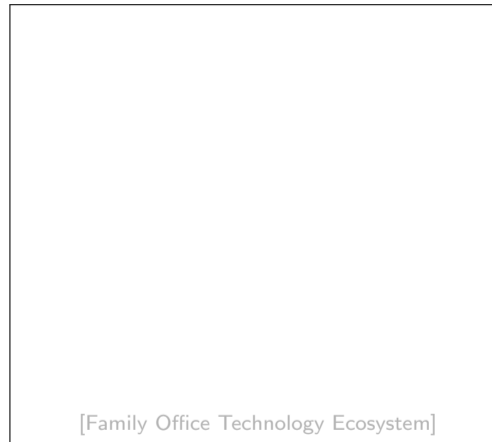
MiFID II requires detailed cost disclosure and suitability documentation

Single Family Office (SFO) Needs

- Consolidated reporting
- Private equity/alternatives
- Multi-entity structures
- Bill pay and accounting
- Estate/trust management

Specialized Platforms:

- Addepar (aggregation)
- Archway Technology
- Eton Solutions
- Masttro



10,000+ family offices globally managing \$6 trillion in assets

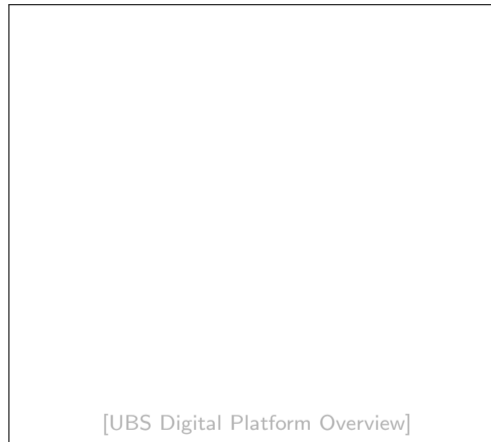
Case Study: UBS Wealth Management Transformation

UBS Digital Strategy

- \$4 trillion AUM globally
- “One UBS” technology platform
- Hybrid advisory at scale
- AI-powered insights

Key Initiatives:

1. UBS Advice Advantage platform
2. Digital onboarding globally
3. Portfolio analytics tools
4. Client mobile experience



UBS spent \$3.5B annually on technology (2023)

Personalization

- AI-driven insights
- Behavioral finance nudges
- Hyper-personalized UX
- Next-best-action

Integration

- Embedded wealth services
- Banking + investment unified
- Alternative data sources
- Ecosystem partnerships

Democratization

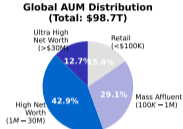
- Lower minimums
- Fractional everything
- Financial wellness focus
- Intergenerational transfer



[Wealth Tech Evolution Timeline]

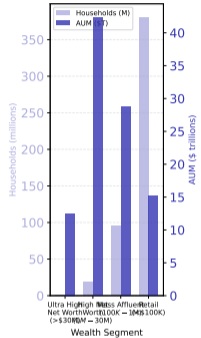
\$84 trillion wealth transfer to millennials by 2045 [Source: PitchBook, CB Insights 2024]

Wealth Management Client Segments

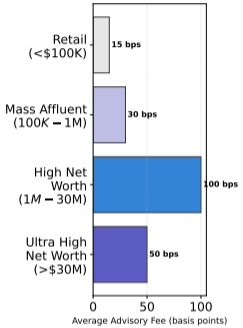


Source: Cappemini, Credit Suisse, BCG Global Wealth Reports

Households vs Assets Under Management

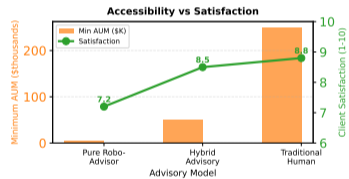
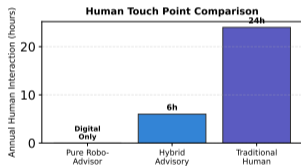
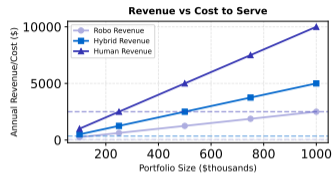
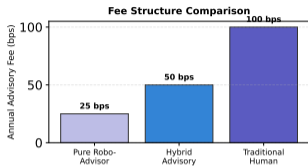


Fee Structure by Segment



Wealth management serves distinct segments from mass affluent to ultra-high-net-worth.

Hybrid Advisory Model Economics



Source: Kitces Research, Backend Benchmarking, Cerulli

Hybrid models combine technology efficiency with human advisor relationships.

Direct Indexing Mechanics

Traditional ETF vs Direct Indexing

Traditional ETF

- Own shares of fund
- No customization
- No tax control
- Lower minimum

Portfolio
1 ETF share
(500 stocks bundled)

Direct Indexing

- Own individual stocks
- Customizable weights
- Tax-loss harvesting
- Higher minimum (\$100K+)

Portfolio
500 individual stocks
(separately managed)

Example: Tax-Loss Harvesting Transaction

Purchase Price	\$10,000
Current Value	\$9,200
Unrealized Loss	-\$800
Tax Benefit (35% rate)	+\$280
Net Economic Loss	-\$520

Transaction Flow:

Sell Stock A (in loss) → Buy Stock B (similar exposure)

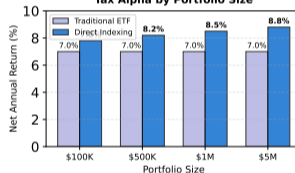
Wait 31 days to avoid wash sale rule

Source: Cerulli Associates, Vanguard, Parametric

Tax-Loss Harvesting Process

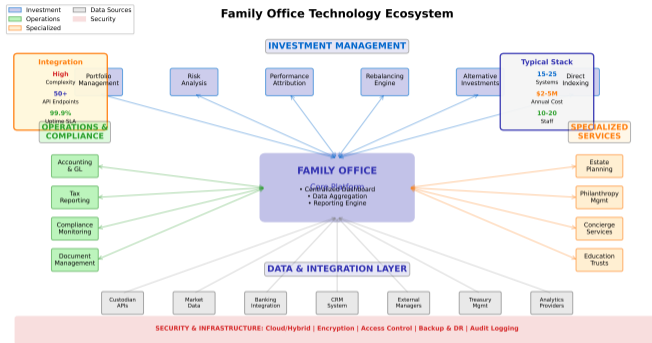
- 1. Monitor Daily** Track all stock positions for unrealized losses
- 2. Identify Losses** Stock down >5% from purchase
- 3. Sell at Loss** Realize capital loss for tax benefit
- 4. Buy Similar Stock** Maintain index exposure (avoid wash sale)

Tax Alpha by Portfolio Size



Direct indexing owns individual securities to enable tax-loss harvesting and customization.

Family Office Technology Ecosystem



Source: UBS, Campden Wealth, EY Family Office Research

Family offices require integrated systems for multi-asset portfolios and alternative investments.

Technology Components

1. PMS/IBOR for portfolio operations
2. Financial planning software
3. Digital onboarding/KYC
4. Performance attribution
5. Client reporting platforms

Strategic Themes

1. Hybrid human-digital models win
2. Direct indexing disrupts funds
3. Tax optimization adds alpha
4. Regulation drives technology
5. Personalization differentiates

[Wealth Management Ecosystem Summary]

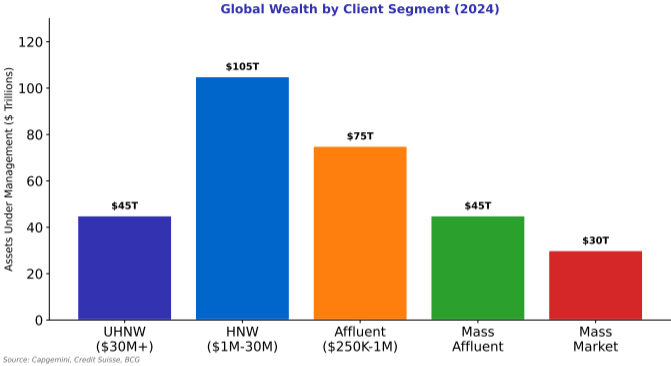
Next lesson: **Financial Data Vendors (Bloomberg, LSEG, Alternative Data)**

Questions?

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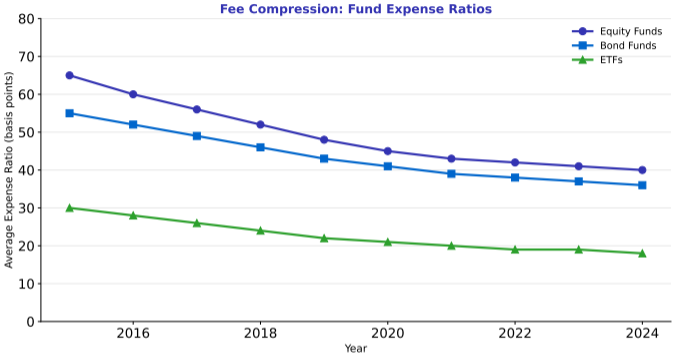
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Wealth Management AUM



UHNW segment drives advisory revenue.

Advisory Fee Trends



Fee pressure continues across all segments.