



Vanguard

Prepared for Adviser 3.0 conference

The Future of Advice

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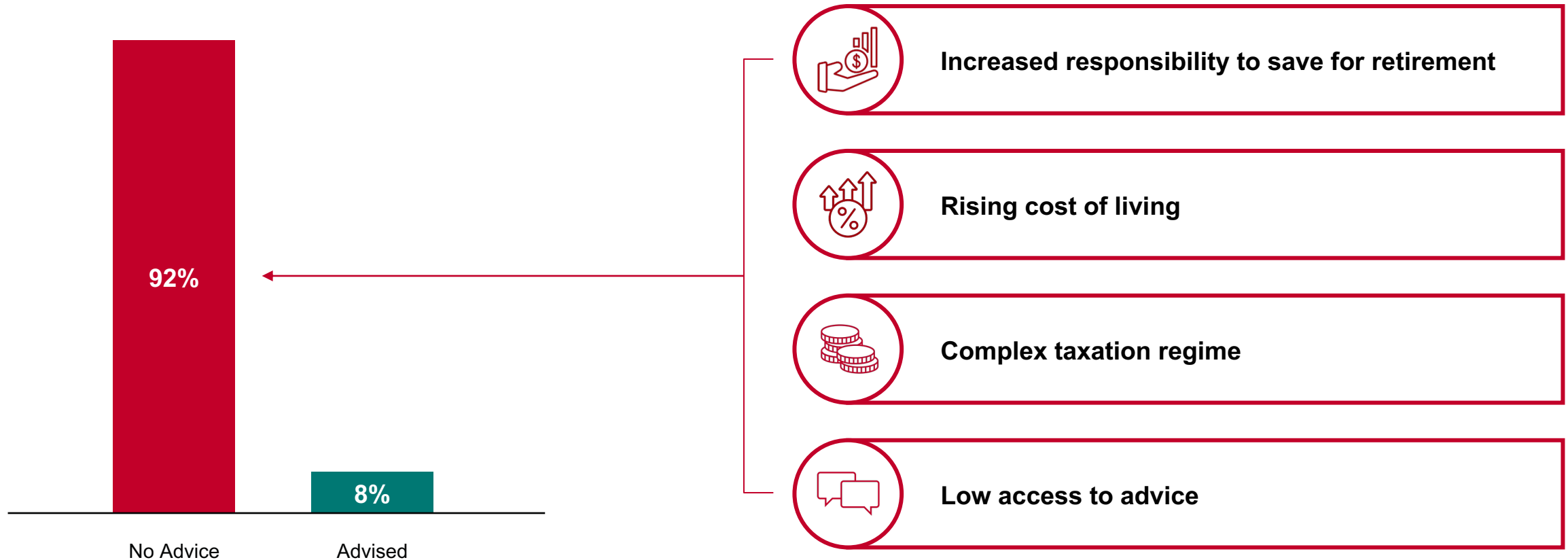
The Future of Advice



Advice gap persists, while individuals face increased pressures



Proportion of UK adults receiving advice¹



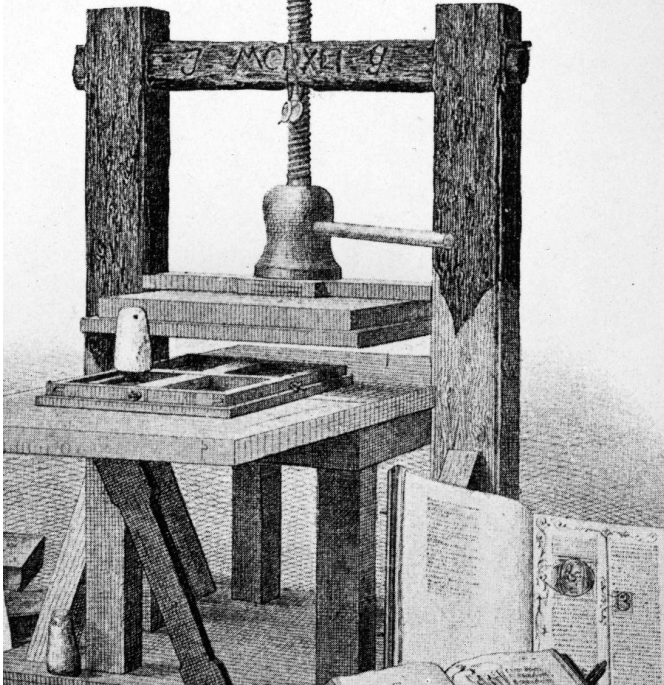
Consumer Duty

Onus on firms to act to deliver good outcomes for consumers: To act in good faith, avoid causing foreseeable harm and support customers to pursue their financial objectives.

Nikhil Rathi, CEO, FCA



Automation is always changing the nature of work





Advanced skills remain uniquely human

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Basic

Moving objects
Recording information

••

Repetitive

Inspecting
Assembling

•••

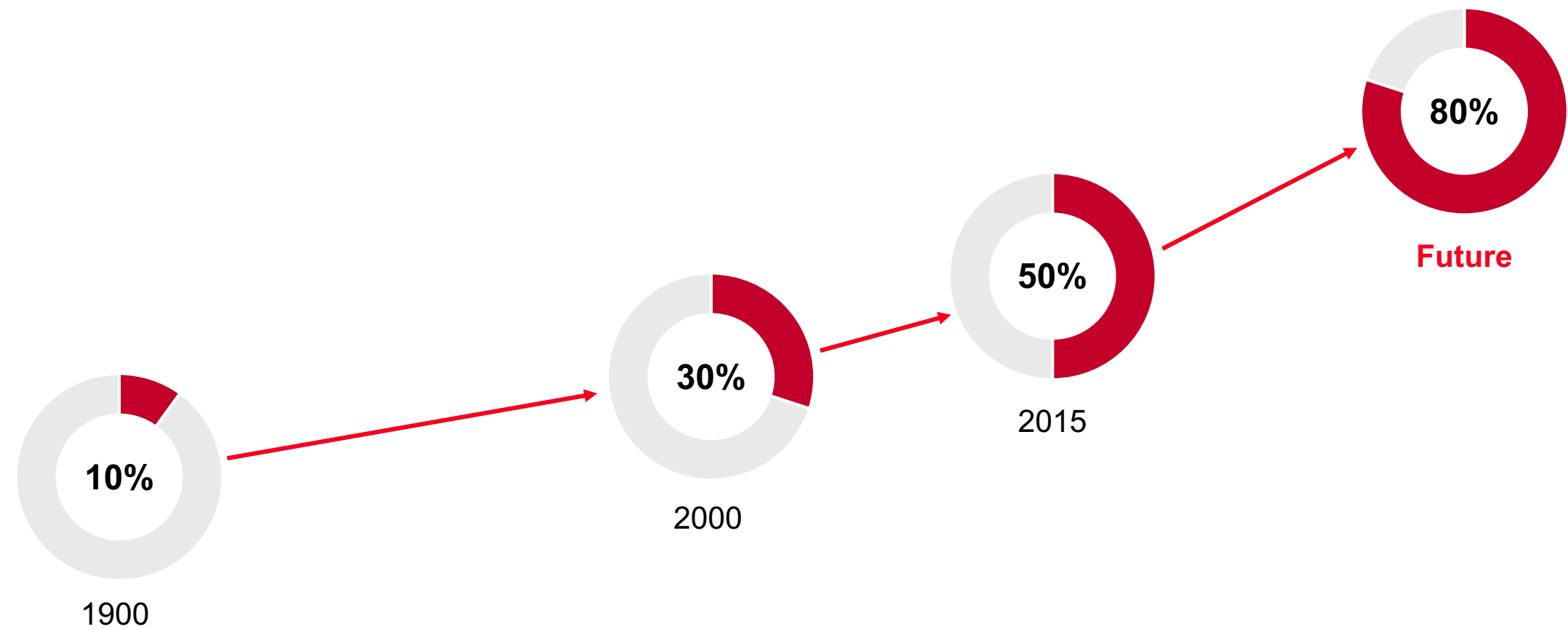
Advanced

Maintaining relationships
Assisting / caring for others



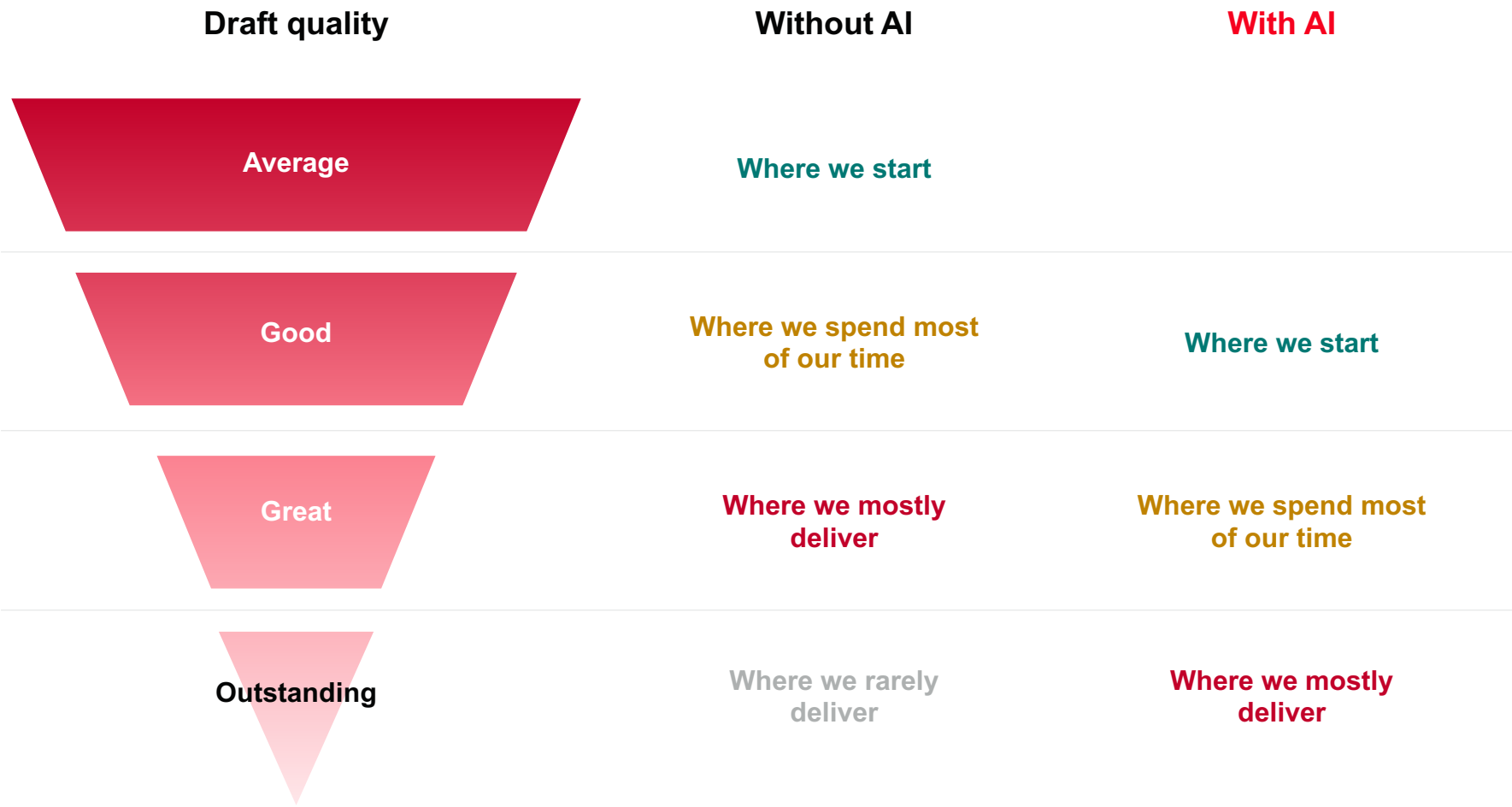
The work of the future will be dominated by advanced tasks

Percent of jobs consisting of advanced tasks





Strong belief that AI will be the next disruptive technology

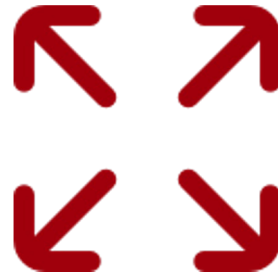




This presents an opportunity



**Lower
costs**



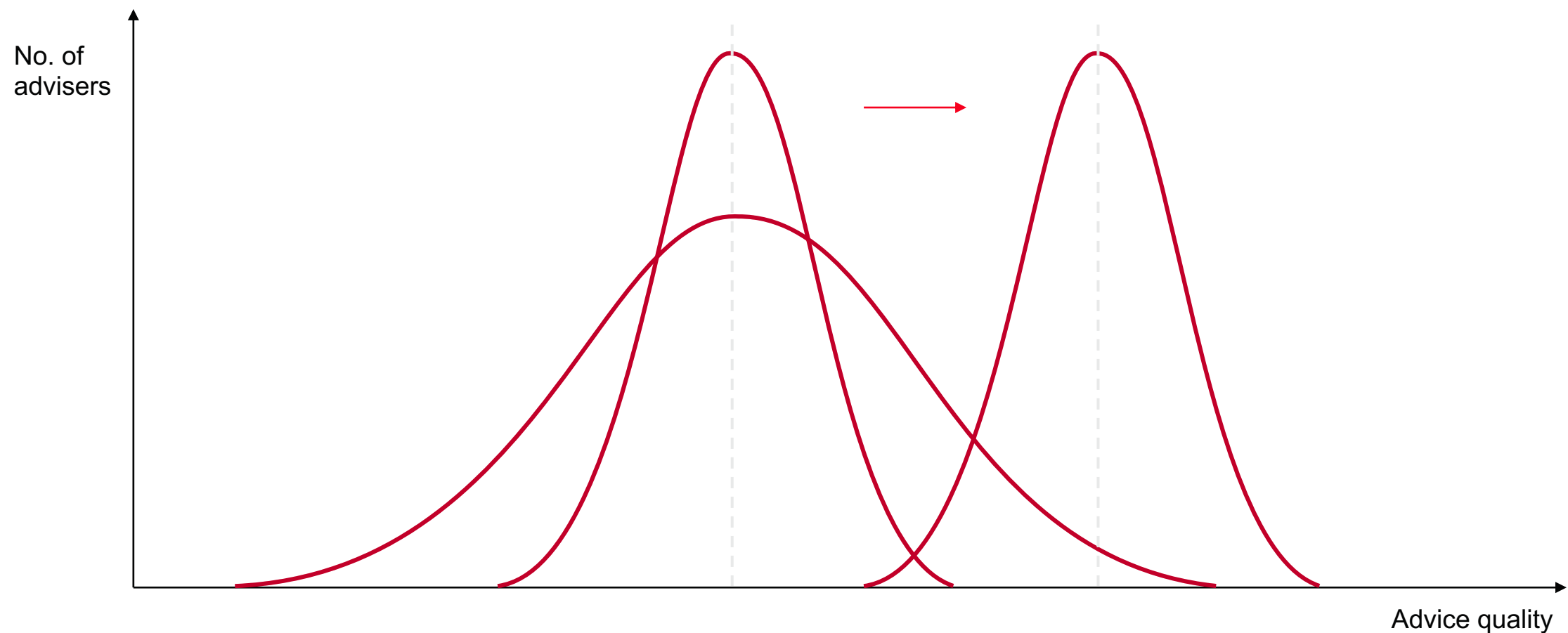
**Expand
access**



**Improve
quality**

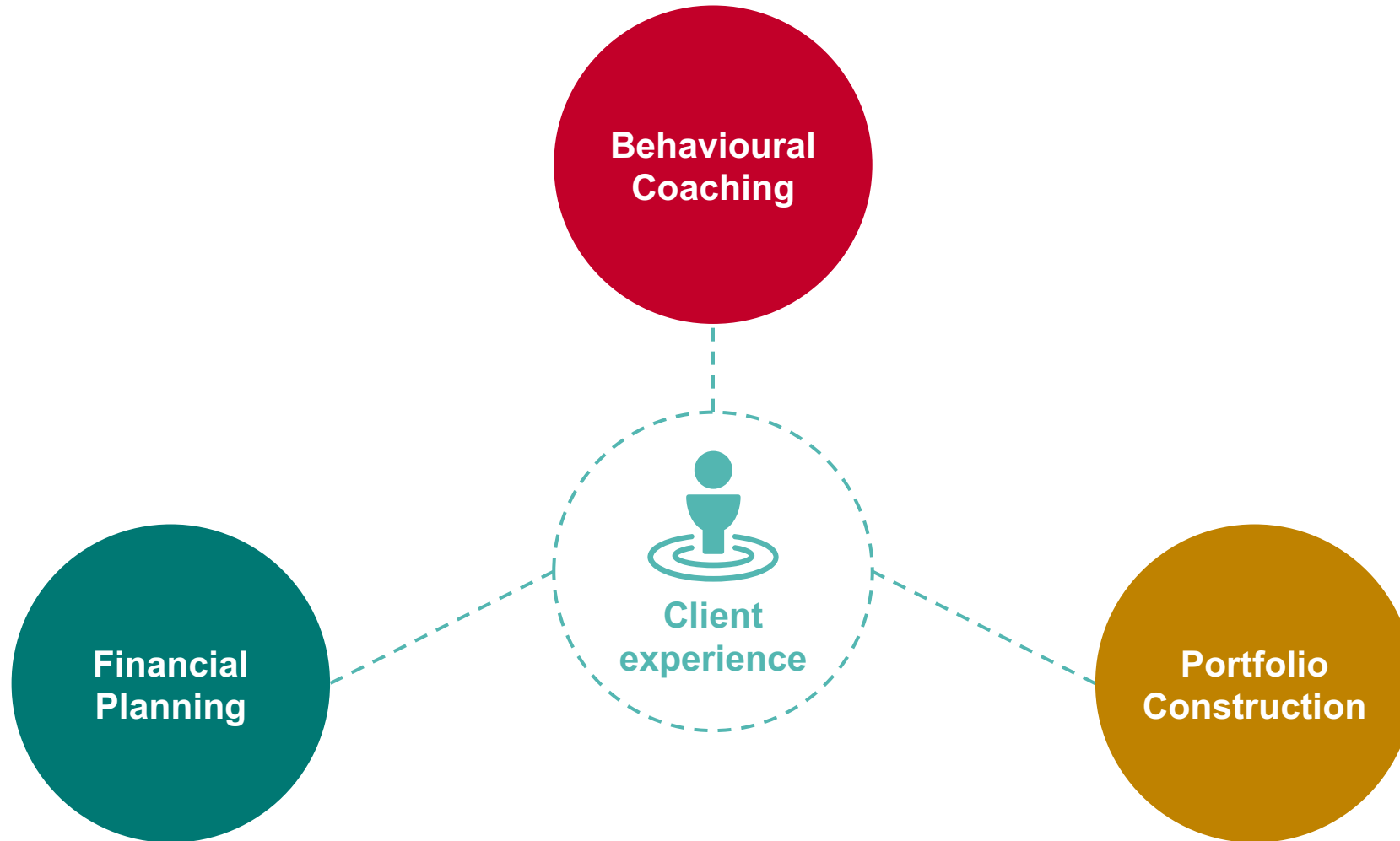


With the potential to have a huge impact on UK consumers





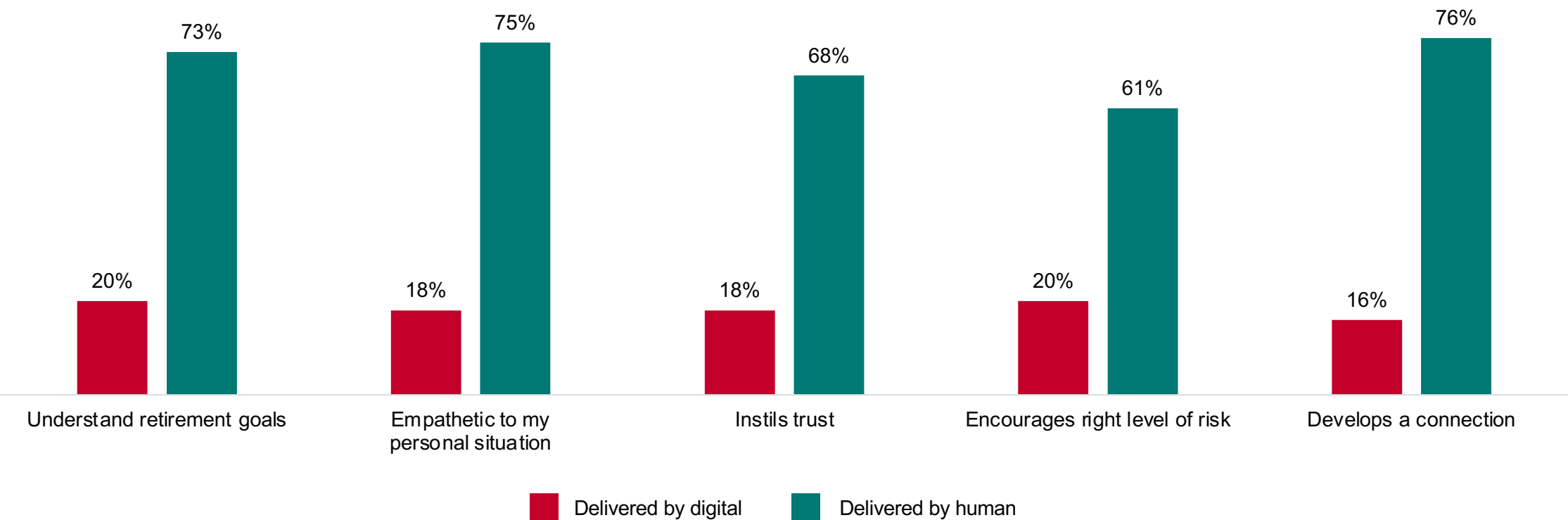
We need to disaggregate 'advice', to realise this opportunity





Clients need (and want) human interaction

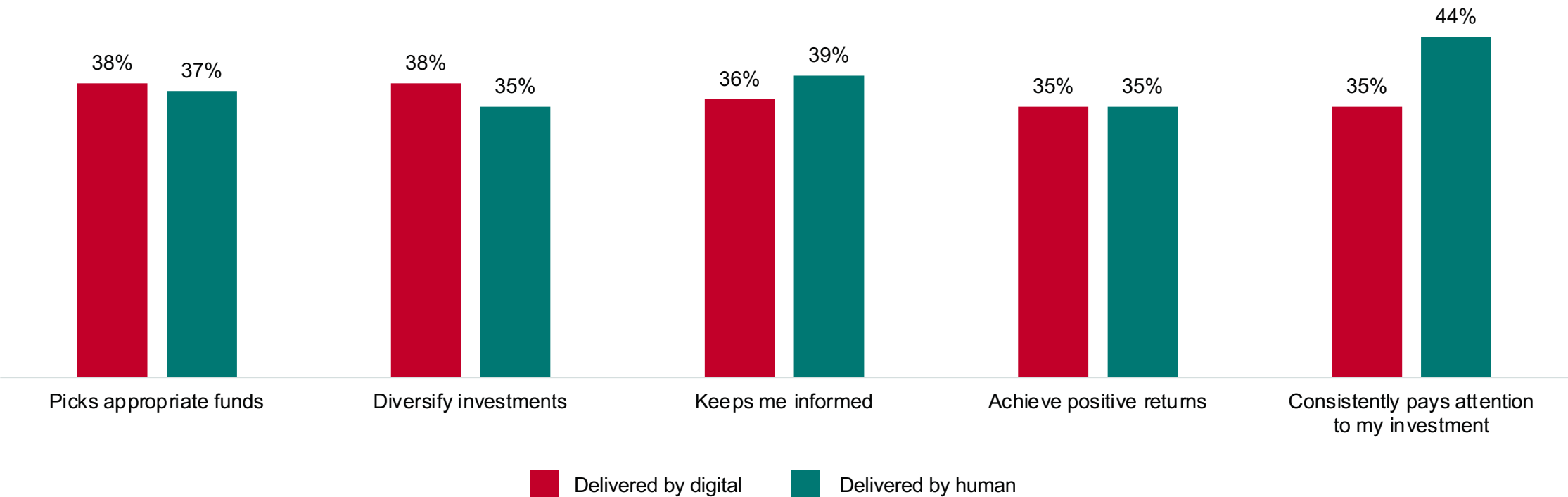
Investor preferences





But will accept some level of digitisation

Investor preferences





Too often, we over-complicate things



Complexity

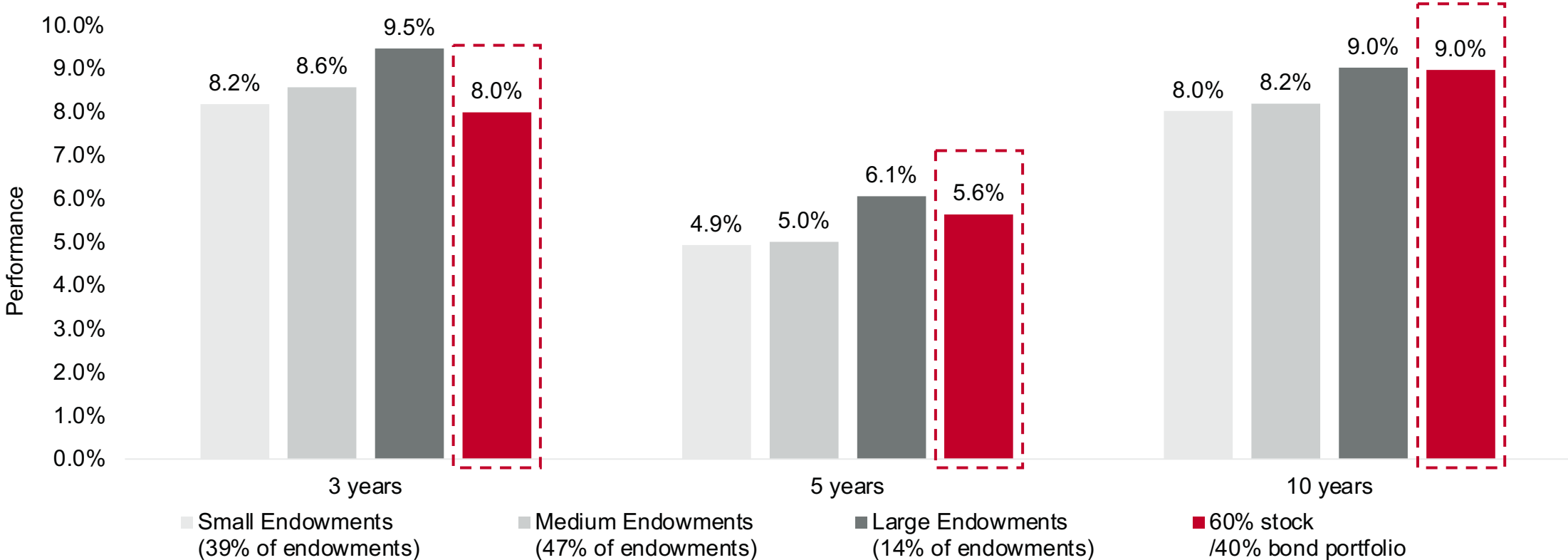


Sophistication



But does complexity actually pay?

A simple 60/40 portfolio has fared well against the more complex “Endowment Model”



Past performance is not a reliable indicator of future results.
Source: Vanguard and 2019 NACUBO-Commonfund Study of Endowments (2020).
Note: Data are as at 30 June for each year. Data through 30 June 2019. 60% stock/40% bond portfolio: Domestic equity (42%) is Dow Jones Wilshire 5000 Index through April 22, 2005, and MSCI US Broad Market Index thereafter. Non-U.S. equity (18%) is MSCI All Country World Index ex USA. Bonds (40%) are Barclays U.S. Aggregate Bond Index. Performance calculated in USD with gross income reinvested.



Embrace automation, where appropriate





Enabling greater capacity for critical human interactions

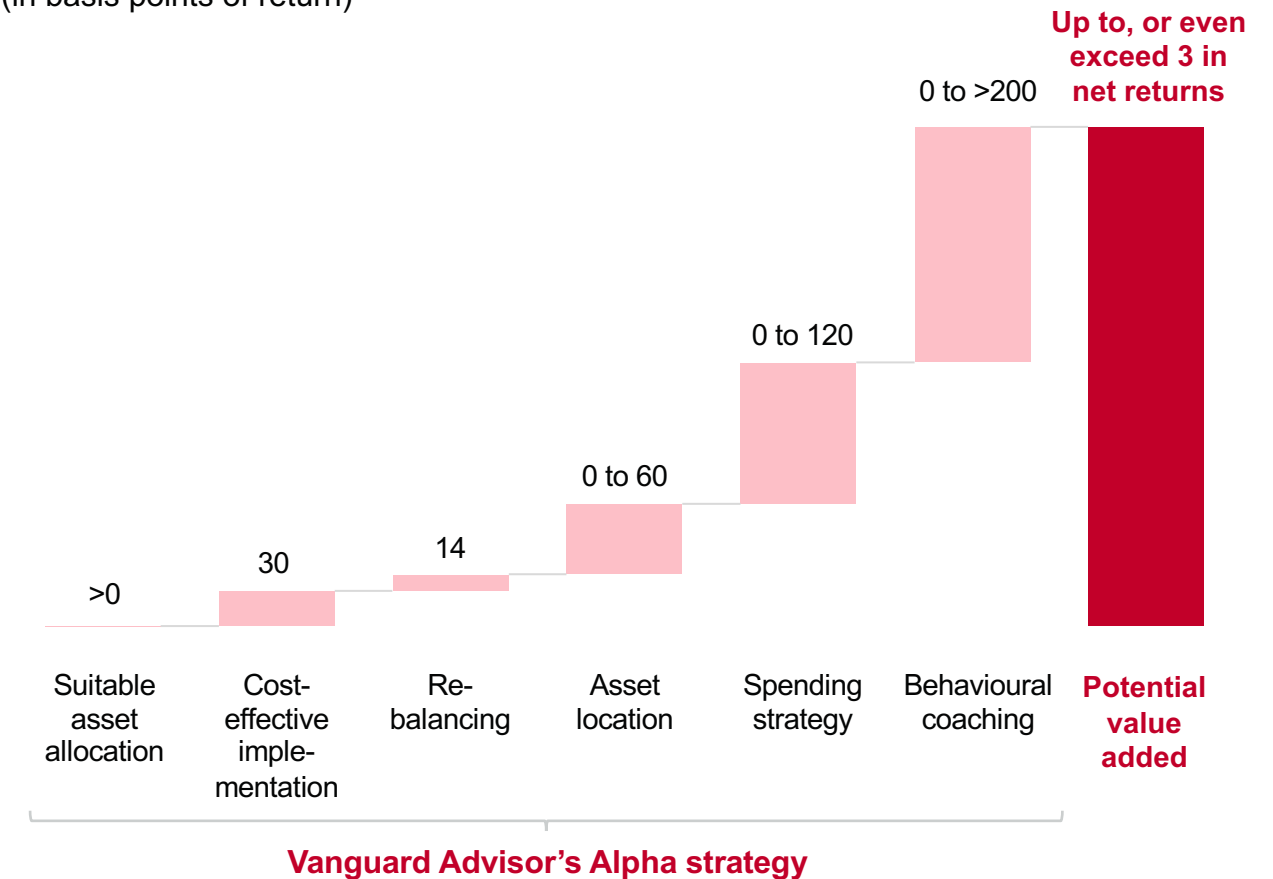
Time is an asset to be invested

Adviser time allocation by activity



- 53.4% Client-facing activities
- 21.8% Administrative
- 20.0% Investment management
- 4.8% Training and professional development

Value-add relative to “average” client experience (in basis points of return)



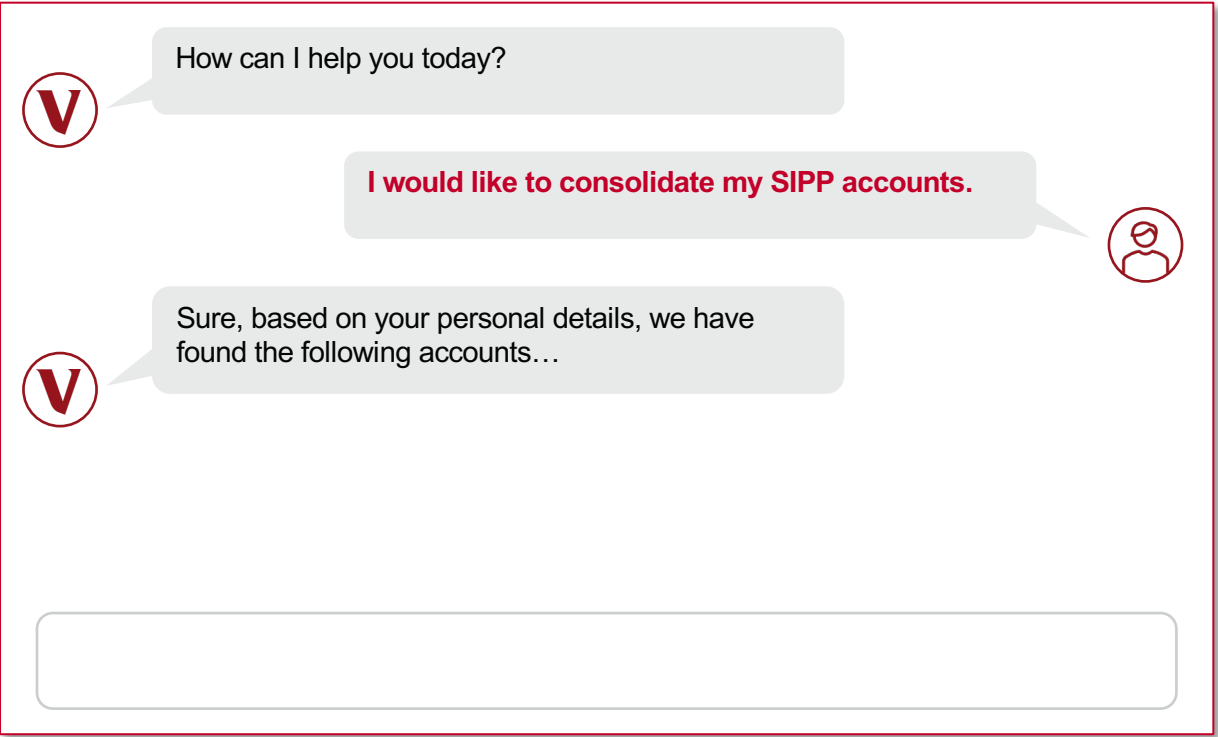


AI can play a key role in simplifying the client experience

Example process:

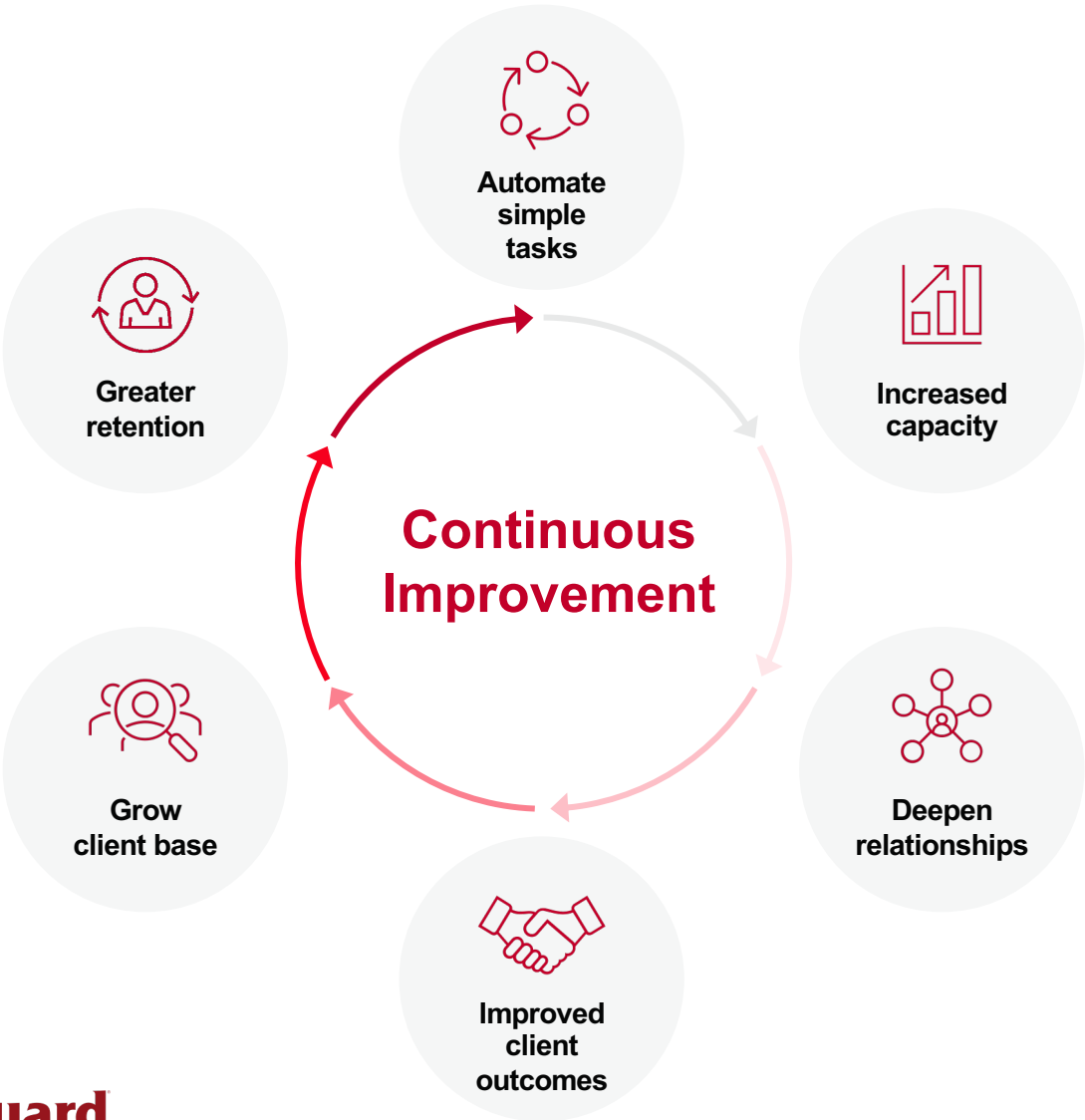


Potential future process:





Ultimately adding value for our clients



Investment risk information



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