

Next-gen estate planning: Time to embrace digital transformation

Banking, Financial Services and Insurance



Abstract

One of the few sectors that has witnessed positive growth post the pandemic is the estate planning industry. After a period of negative growth during pre-pandemic times, there is now an increased awareness among individuals to seek professional advice for creating a well-documented estate plan to manage their assets in case of death or incapacitation. This has resulted in an increased demand for estate planning. The emergence of do-it-yourself (DIY) estate planning offerings from fintechs or legal techs is pushing traditional firms to revisit their existing business models, especially client engagement models.

This white paper discusses key transformational themes that firms should explore to build a next-gen estate planning platform that offers better digital self-service capabilities, enhanced advisor effectiveness, and other benefits.

Estate planning: A changing landscape

Traditionally, estate planning is a high-touch business where the financial advisor or estate planner works with the client with the help of a legal team to develop a detailed estate plan. As the size and complexity of a client's estate increases, the level of advisor engagement increases proportionally, requiring the advisor to spend significant time and effort to serve the client. The planning process is further complicated by changing regulations and taxes, especially those with cross-jurisdiction implications. This advisor-led business model has also kept firms away from modernizing their underlying technology infrastructure, translating into huge technical debt in addition to inadequate automation of manual processes.

Also, there are challenges from a client perspective in seeking professional help for estate planning. This hesitation can be attributed to difficulties in understanding legal aspects, higher cost of advisory services, or the client's reluctance to go ahead with legal documentation despite being aware of its significance. From a regulatory perspective, there is an increase in the support for eWills across all major markets. eWills come under the purview of several regulations including the Uniform Electronic Wills Act 'E-Wills Act' (US, 2019) and Bill 21 (Canada, 2020), among others. The key changes that these regulations will bring about are support for both physical and electronic wills and signatures, storage and recognition of electronic wills as a legal document, and more.

Marching toward next-gen estate planning

Fintech firms offering DIY platforms for creating online estate planning documents have gained traction among customers. A paradigm shift is underway in estate planning, similar to robo advisory disrupting advisor-led investment management, resulting in new business models. That said, existing advisor-led estate planning firms must be aware of this shift and take necessary action to capitalize on emerging business opportunities or ideas.

These emerging business models in estate planning have the potential to attract new clients and drive growth through cross-selling of other products. In addition, firms are introducing new ways to improve customer engagement and collaboration in existing advisor-led engagement models, leading to better client experience. Transformational themes that firms should evaluate and strategize include:

Direct-to-consumer (D2C) channel

The D2C digital estate planning platform can provide firms with the capability to offer a simple estate planning solution at a low cost through a fully digital model or a premium service through a virtual advisor. Digital platforms also offer other features such as digital questionnaires, a guided customer journey, client and spouse profiler, personalized recommendations, access to charitable donations, usage of e-signatures, remote online notarization¹, and more. Clients can also benefit from 24x7 access to a secure vault, a knowledge center with educational videos, FAQs on different document types such as a living will, advance healthcare directive, power of attorney, taxation, and so on. An interactive collaboration tool will allow clients to access a pool of virtual advisors and seamlessly and remotely finalize estate planning. Firms must look at creating partner ecosystems to bring in new capabilities such as collaboration tools, secure vault, remote notarization, and so on.

Offering DIY estate planning products can help attract new clients and generate a new revenue stream for firms. Additionally, cross-selling other retail products, such as investment management, insurance, and mortgages, makes for a compelling growth strategy.

Advisor effectiveness

Traditional firms can draw inspiration from emerging fintechs with respect to best practices that can be adopted from an advisor engagement, experience, or effectiveness perspective. For instance, a mobile-based advisor platform equipped with advanced digital tools will allow the advisor to more effectively serve a large number of clients. These advanced digital tools comprise client onboarding, scenario visualizer, case comparison, personalized estate reporting, tax management, workflow management, customizable client presentation template, digital calculator, biometric-based authentication, and secure vault. An intuitive drag-and-drop, flowchart-based scenario visualizer and comparison tool will help advisors illustrate estate plans covering different scenarios to clients.

Furthermore, advanced features such as data analytics can be leveraged to generate actionable insights for financial advisors; for example, recommending best-suited estate plans or tax-saving strategies based on a client's profile or facilitating 'nudges' based on the client's life events over the course of the relationship. To improve advisor matching, a lead qualification tool can be adopted to analyze the client's response to a digital questionnaire and recommend the most suitable advisor to handle the specific estate planning needs.

Apart from improving the advisor engagement model, efficiency can be boosted with automation-first models. Firms can leverage advances in AI to automate document processing. Additionally, the capability to alert or notify advisors to review client documents will enhance advisor efficiency.

Digital assets

The last decade has seen a significant rise in digital assets, such as personal photographs, videos, music, social media posts, e-mails, health records, and the like. While standalone business-to-consumer (B2C) fintech players offer solutions for digital assets, traditional estate planning, on the other hand, has overlooked the impact of these assets. A digital vault can simplify the handling of digital assets in estate planning—an intuitive mobile app can be introduced to allow clients to upload digital assets securely, assign designees and beneficiaries, and appoint professional service providers, such as lawyers or financial advisors. The app must come with advanced features such as geotagging, image capture, and index-based search across the document repository.

[1] TCS, Contactless Experience: The Next Disruption in Financial Services, October 2021, Accessed October 2021, <https://www.tcs.com/contactless-experience-remote-online-notarization>

Clients have begun to adopt financial digital assets like cryptocurrency in recent times. Firms need to evaluate strategies for cryptocurrency custody² and incorporate this new asset class within the estate planning offering. Some leading custodian firms have already started providing cryptocurrency custody services. Different types of crypto storage services include hot storage (online wallets to store private keys online), cold storage (offline storage of private keys), and multi-signature wallets. Bringing in new capabilities such as crypto custody solutions and ensuring reduced time-to-market may necessitate creating partner ecosystems with custodians and wallet providers.

Apart from these focus areas, firms also need to introduce digital enablers to empower functions like customer experience and operations. Such a transformation across the entire estate planning value chain will lead to superior customer experience, increased revenue, and higher profitability.

The way forward

There is a large untapped market for estate planning services. To capitalize on this demand, firms must create awareness, simplify access to professional advice, and offer services at an affordable cost. Multiple dimensions such as target client segments (mass market, affluent); distribution channels (D2C online or mobile application, branch); revenue and pricing models (including tiered pricing and subscription-based); and support for digital assets including cryptocurrencies must be considered during product design. Furthermore, firms must take advantage of the increasing demand for a fully digital or an advisor-led guided estate planning service. Firms must reimagine existing customer journeys and optimize them for offering best-in-class digital experiences across various touchpoints.

The estate planning industry is at the cusp of digital disruption, and traditional estate planning firms must be cognizant of the new market threats and plan strategic transformations leveraging digital technologies and ecosystem approaches. Firms that undertake rapid digitalization of estate planning services stand to gain a competitive edge and drive long-term business growth. Firms may, however, be constrained by a lack of in-house resources and talent to build next-gen estate planning solutions. A strategic partnership with an experienced IT service provider with the requisite contextual and domain knowledge and technical skills will help to speed up the journey.

About the authors

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[2] TCS, Crypto Custody: The Next Frontier of Transformation for Custodians, April 2021, Accessed October 2021, <https://www.tcs.com/crypto-currency-digital-assets-custody>

Awards and accolades



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