STATE OF THE WEALTH MANAGEMENT INDUSTRY

Research and outlook for 2025



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How Wipfli can help

Between a changing investment landscape, shifting client demographics, evolving technology and regulatory pressures, it can be difficult for wealth management firms to chart a clear path forward. At Wipfli, our dedicated industry professionals work with you to find the right balance between stability and agility. Let us help you achieve your ideal future-ready state. Learn more at wipfli.com/wealth-management.

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Wealth management is a deeply personal business — one built on relationships, trust and the shared goal of helping people achieve their life ambitions. It's also on the cusp of profound transformation, driven by rapid technological advancements and a wave of mergers and acquisitions caused by an increasing amount of private equity investment in the industry.

Wipfli surveyed 109 wealth management executives to understand their outlook for 2025. Technology emerged as a top focus across discussions about growth, succession and strategy.

The second annual "State of the wealth management industry" report offers insight into the trends, tools and technologies that are redefining the industry while preserving its core mission: empowering clients to live the lives they've imagined.

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Executive summary

In Wipfli's second annual wealth management industry survey, 109 executives — including portfolio managers, managing partners and C-suite leaders — weighed in on the state of their industry, how technology is changing and how they approach their work.

The wealth management leaders we surveyed are optimistic about the next 12 months, with virtually all respondents (91%) expecting their firms to grow 5% or more. Over a third (36%) project revenue growth of 8%-10%, and 8% project growth higher than 10%.

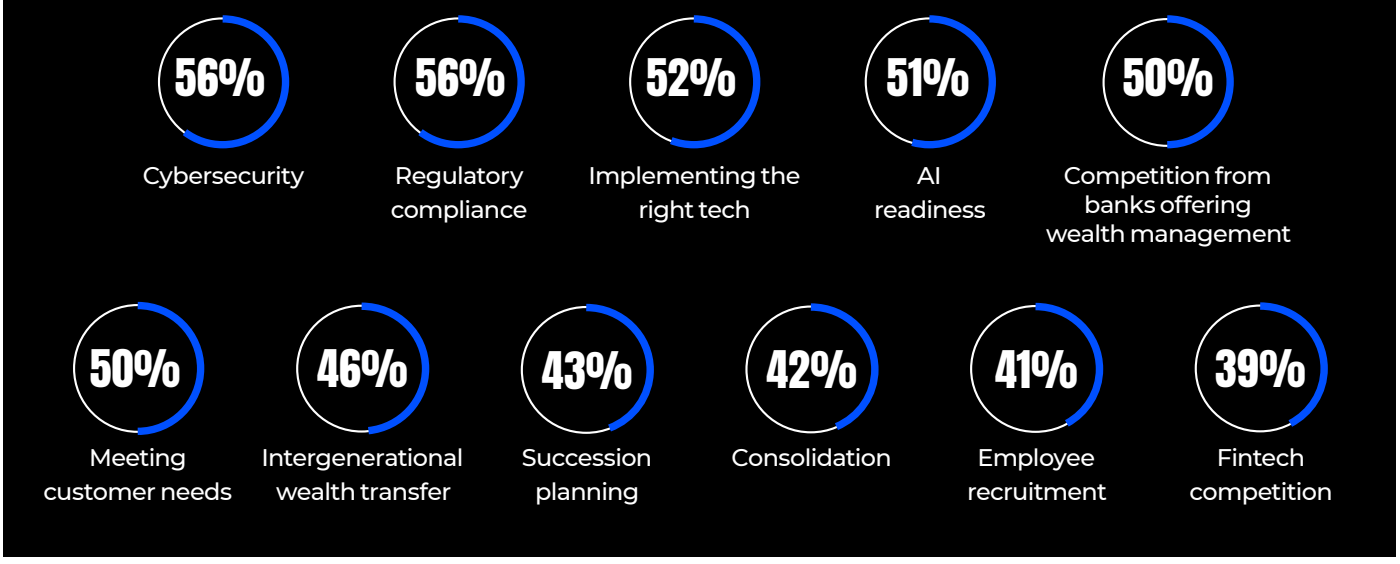
Their top concerns reflect a technology focus. Cybersecurity, regulatory compliance and implementing the right technology tools were the top-rated concerns in this year's survey, ahead of other business challenges such as competition, consolidation and employee recruitment. Fifty-one percent cited AI readiness as a top concern.

Technology was a consistent factor across all the themes in this year's survey, from growth strategies to future ownership change and succession planning.

"Overall, respondents' answers reflect an understanding that technology is an essential factor for business success in high-performing companies — as well as some subtle acknowledgements that they might not be taking full advantage of these tools," says Ron Niemaszyk, a Wipfli partner who works with many of the firm's flagship investment partnership and broker-dealer clients. "Good leaders are always looking out for potential shortcomings and identifying ways to improve, and wealth managers understand that data and technology will be the keys to help fine-tune their operations and fuel continued growth."

Many of wealth managers' top concerns for 2025 relate to technology

To what degree are survey participants very or extremely concerned about each of the following over the next 12 months?



Technology focus

Wipfli asked wealth management leaders about the tools and technologies they use today.

The vast majority (93%) said their firms have either a partially or fully integrated customer relationship management (CRM) system. Just over half (51%) said their CRM seamlessly supports all their organic growth marketing initiatives, while 42% said their system was partially integrated with marketing efforts but there are still some gaps.

Beyond marketing, respondents are also looking to data to guide larger business decisions. Eighty percent said their leadership teams use business analytics to make data-driven decisions, and only 3% of respondents said their firms didn't collect enough data to leverage business analytics. The survey suggests that respondents are comfortable with data; 61% rate their firms as doing very or extremely well in using data analytics to inform strategic planning.

To keep pace with technological advancements and use data to drive intelligent planning, wealth management leaders said they're likely to upgrade their data systems in 2025. Sixty one percent of respondents said they're "very likely" to invest in data architecture in the next 12 months, and 58% were "very likely" to invest in data analytics.

When it comes to data architecture, the leaders we surveyed said their three biggest challenges are high costs (53%), integration with existing systems (51%) and data privacy and security (50%). For data analytics, respondents said their top three challenges are data quality issues (47%), data privacy and security (47%) and data visualization and interpretation (45%).

Despite the challenges, technology presents a wealth of opportunity for the industry, and our survey offers insight on how tech tools are changing the nature of the day-to-day work. Efficiency was a top theme, with 58% of survey respondents saying increased automation is having a large effect on portfolio management and rebalancing. Fifty-five percent said the use of AI marketing tools to reach prospective clients was largely impactful, and 54% are experiencing more efficient account management processes by using digital platforms and apps.

The increased use of customer data also calls for increased attention to privacy; 54% of survey respondents said cybersecurity and data privacy measures were having a large impact on their business processes



When it comes to the use of AI in business applications, our survey suggests most wealth management leaders are still in the evaluation and research stages. Twenty-seven percent of respondents are consulting with AI experts, 25% are analyzing cost-benefit ratios, 19% are benchmarking against industry standards and 17% are gathering employee feedback. Only 13% are conducting AI pilot projects.

"This makes sense for the current state of AI technology," says Anna Kooi, CPA, partner and leader of Wipfli's financial services practice. "Most wealth management firms are still in the early stages — exploration rather than transformation. But our outreach shows leaders are actively engaging, and with AI capabilities changing rapidly, I predict we'll see these numbers change by 2026."



Technology is increasing the efficiency and effectiveness of wealth management work

The percentages below indicate the number of respondents who said each factor had a large or major effect on how they do business:

58% Increased use of automation for portfolio management and rebalancing

55% Use of AI tools in marketing and account management processes with prospective clients

54% Enhanced cybersecurity and data privacy measures to protect client information

54% More efficient account management processes with digital platforms and apps

50% More efficient client onboarding with digital platforms and apps

50% Greater use of data analytics to inform investment decisions and identify trends

48% Use of AI tools in marketing and account management processes with existing clients

Growth strategies

To grow revenue and improve performance, respondents said their priorities are improving data analytics capabilities (61%), improving digital customer engagement (61%) and improving talent management (59%).

A year ago, respondents' top three growth strategies were similarly tech-focused and included automating processes to extend geographic reach, improving digital customer engagement and cloud adoption. These initiatives continue to rank high in importance, but two new options offered to respondents in this year's survey — improving data analytics capabilities to more effectively serve clients and prospects and utilizing AI tools in marketing — were also ranked highly.

Tech tools play a key role in firms' growth strategies for 2025

Respondents rated the below as either very or extremely important for growing revenue and improving firm performance:

61% Improving data analytics capabilities

61% Improving digital customer engagement

59% Talent management

54% Using AI tools in marketing strategies

54% Cloud adoption

54% Exploring new revenue streams

52% Automating processes to extend geographic reach

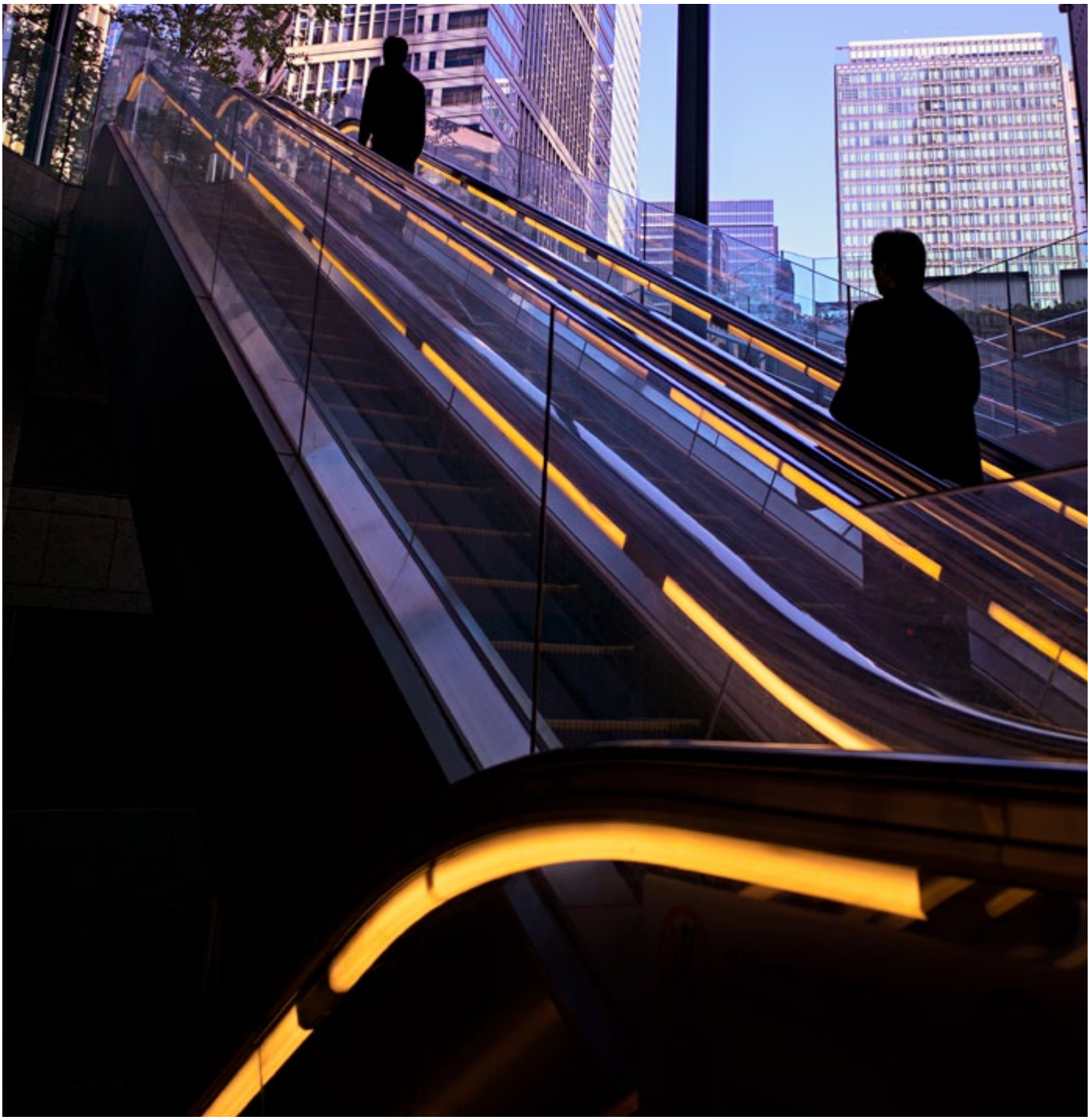
45% Labor-replacing or staff-augmenting technologies



To drive organic growth, respondents plan to use social media (64%), client referrals (62%), their website/search engine optimization (56%), event marketing (52%) and direct marketing (52%).

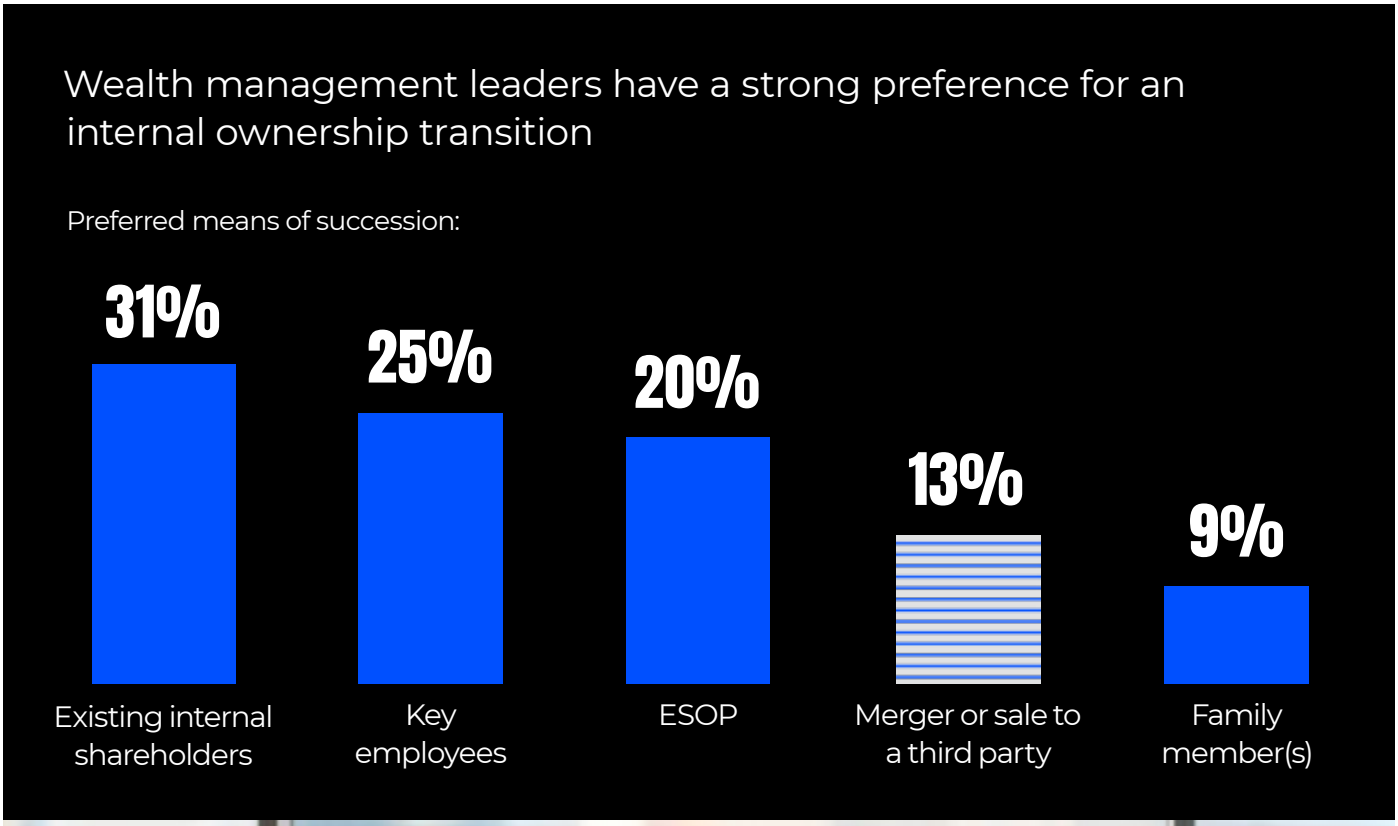
"Respondents are using all the right strategies to drive growth," says Kooi. "To make those approaches successful, they also need to focus on improving customer engagement and strengthening their own data analytics capabilities. Marketing has changed dramatically in the last several years, and it's all about using data to personalize the message and the message delivery. These may not be capabilities that come naturally to wealth management experts, so they may need to hire additional support."

Wealth management leaders said their firms also plan to increase their efforts to target younger clients (45%) and ultra-high-net-worth clients (42%). About a third (30%) plan to increase their targeting toward women and 25% plan to increase their targeted outreach to members of minority groups.`



Ownership changes and succession planning

When we asked about succession planning, respondents had a strong preference for an internal ownership transition, with 85% hoping for someone already familiar with the firm to become the next owner. They'd like to see their business transferred to existing shareholders (31%), key employees (25%), an employee stock ownership plan (20%) or family (9%). Only 13% of respondents wanted to transfer their firm to a third party via a merger or sale.





"While our survey respondents said they would like firm ownership to pass internally, that doesn't match the typical reality," says Justin Koebel, CPA, CITP, director at Wipfli. "Normally, ownership goes to an external party through a sale or merger. I think this reveals an opportunity for leaders to think about what they might need to do to make an internal ownership transition more feasible when the time comes. If a strategic shift, technology investment, leadership training or other planning effort could make that outcome more likely, they should start thinking about those things now."

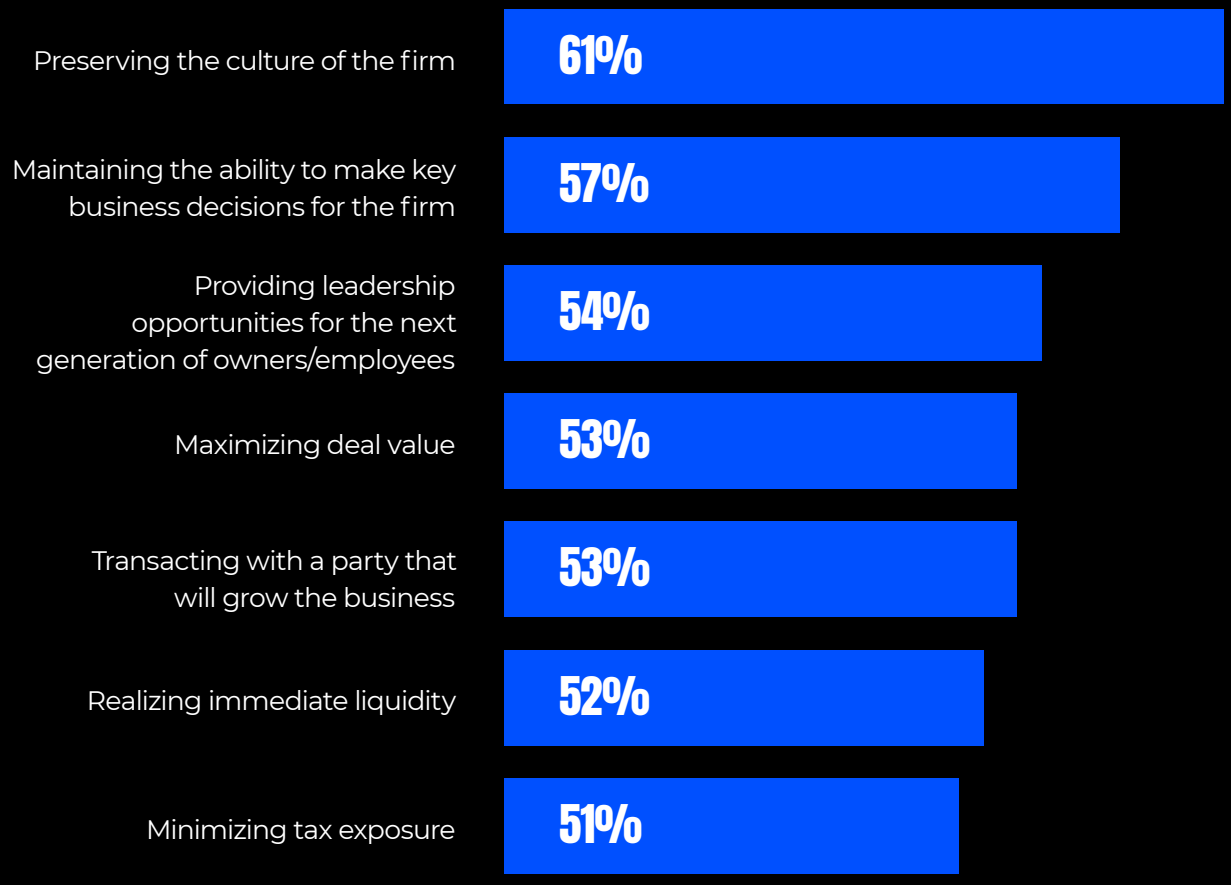
When considering a potential merger or acquisition, wealth management leaders said their top priority is preserving the culture of the firm (61%). They also want to maintain their ability to make key business decisions (57%) and be able to provide leadership opportunities for the next generation of owners/employees (54%).

Maximizing deal value — which ranked second last year — tied for fourth, along with transacting with a party that will help grow the business (53%). Other traditional balance-sheet factors — realizing immediate liquidity and minimizing tax exposure — were at the bottom of the list.

As Koebel notes, "Leaders see a lot of value in the 'intangibles' — things like culture, brand, leadership and career growth — and they want to see those investments grow in value into the next generation."

Wealth management leaders want to protect firm culture and leadership in a potential M&A deal

Respondents said the below factors were very or extremely important:



When asked what would drive an ownership change, the top response was technological advancement (52%) — something our advisors saw as a key insight.

52% of respondents said technological advancement was highly likely to drive ownership change.

"This suggests that current wealth management firm owners feel they aren't keeping up with technological advancements," says Niemaszyk. "That's great information because it provides an opportunity for firm owners to proactively address that perceived shortcoming, whether it's by making strategic new hires to build up that tech expertise or bringing in consultants who can advise leaders on how technology can support their firm's growth and long-term success."



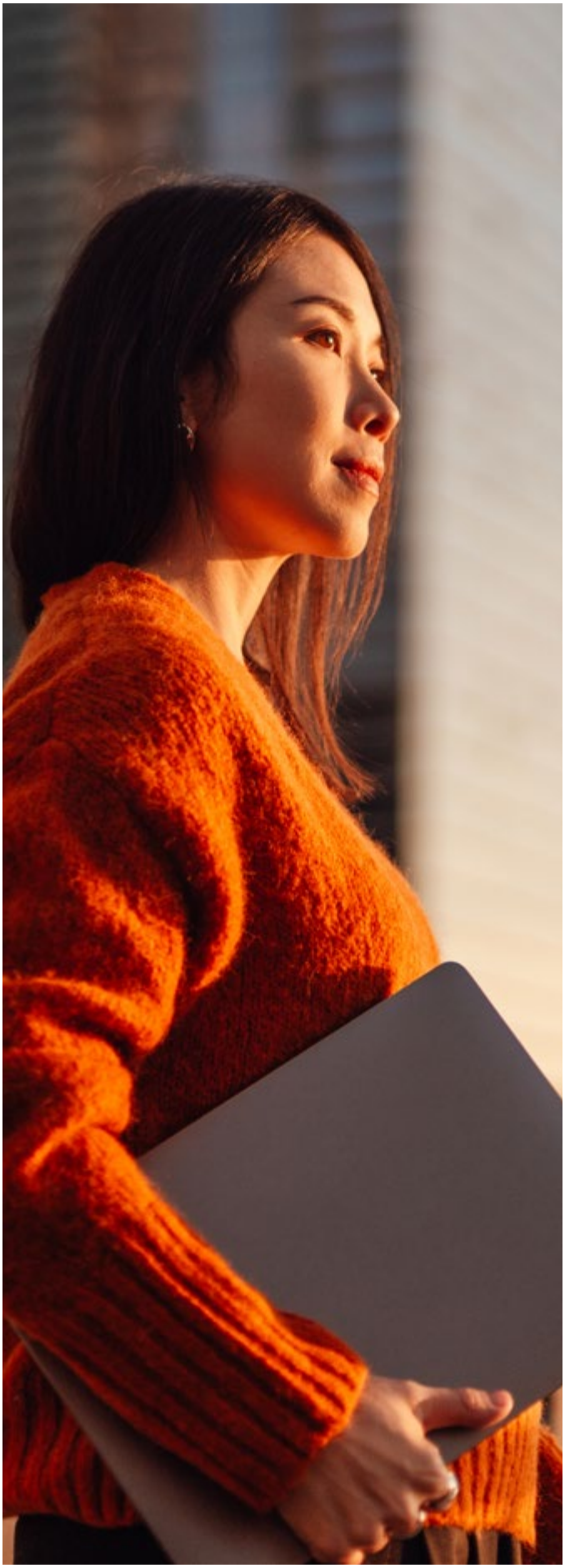
Looking forward

Kooi summarizes this year's survey results this way: "A lot of firms are growing rapidly, and they're optimistic about continued growth. They're also saying, 'We're growing, but are we running an efficient business?'" Here, says Kooi, is where effective use of data can be helpful.

As wealth management leaders think about their strategic initiatives for 2025, Kooi and colleagues offer the following recommendations:

- **Leverage data architecture and analytics, with help:** Many firms are concerned about possible missteps as they look to invest in and implement the right tech. They should reach out for expert guidance on tool selection and/or implementation and change management.
- **Focus on cybersecurity solutions, especially around data privacy and protecting client information:** As wealth management becomes more tech-enabled, firms need to protect their customer data to keep their clients' trust and safeguard their reputations.
- **Move forward on AI, strategically:** While most firms are still in the research and exploration phases of AI, the industry is on the cusp of widespread AI implementation. As more firms start to pilot AI projects, they need to be strategic about prioritizing use cases and making sure they select partners and products that are reliable, accurate and secure.

Kooi encourages wealth management leaders to tap into existing technology expertise. "As all industries navigate the AI evolution together, there's a growing body of AI transition expertise, whether from colleagues, consultants or case studies of what early adopters have found successful. Wealth management leaders should look to these resources to support their own technology decisions."



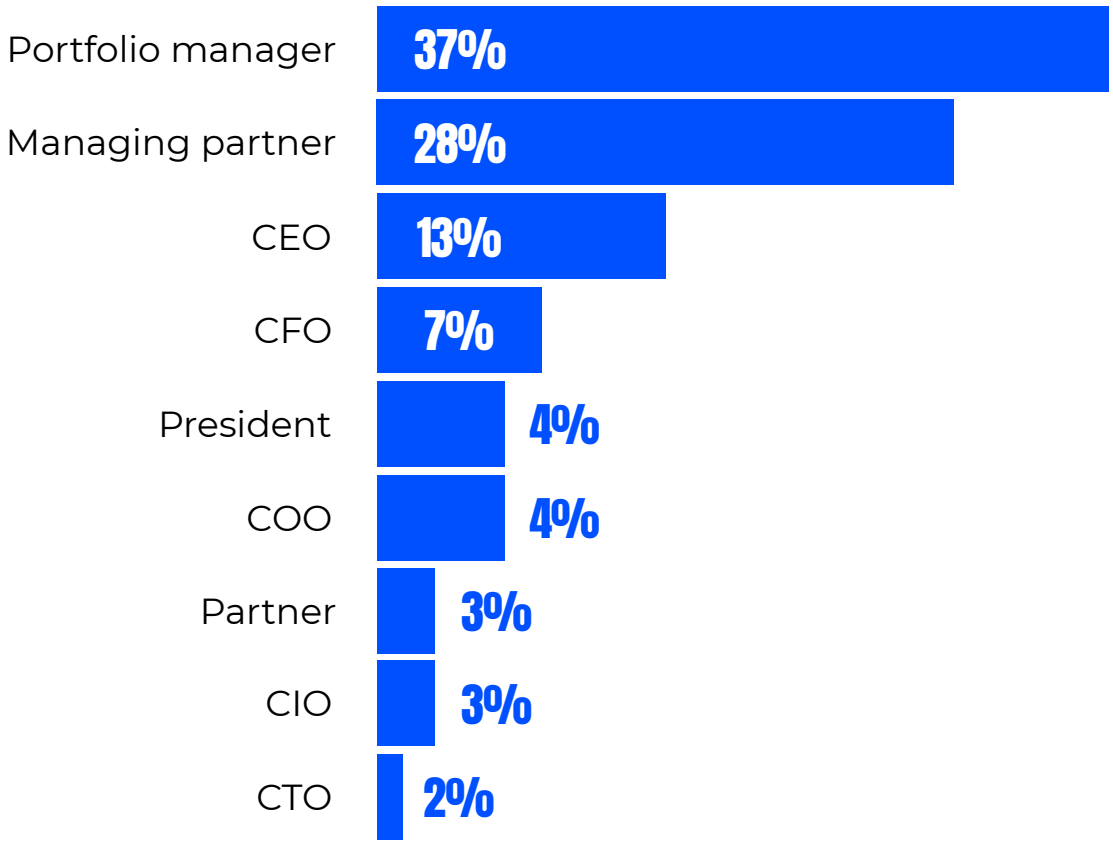
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Appendix: The raw data

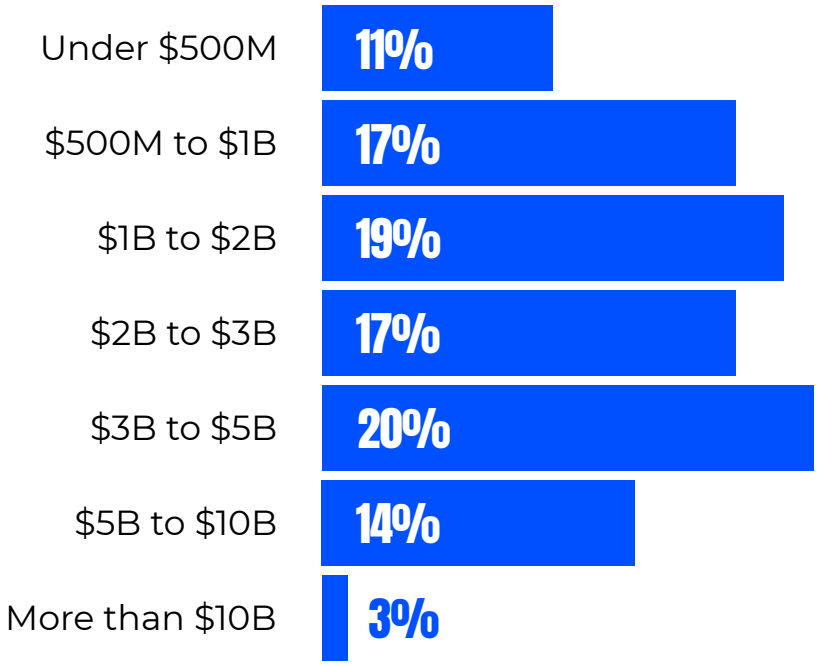
Wipfli received survey responses from 109 wealth management firm leaders. The survey was emailed and answers were collected online between October 17 and November 14, 2024. All responses were confidential and anonymous.

Percentages may not equal 100% due to rounding.

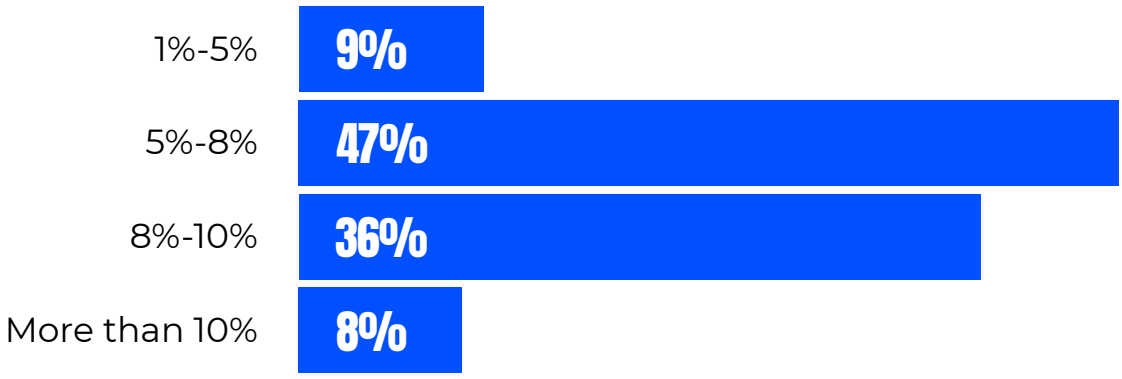
Which best describes your primary role?



What are your firm's current assets under management?



Which best describes your revenue growth projection for the next 12 months?

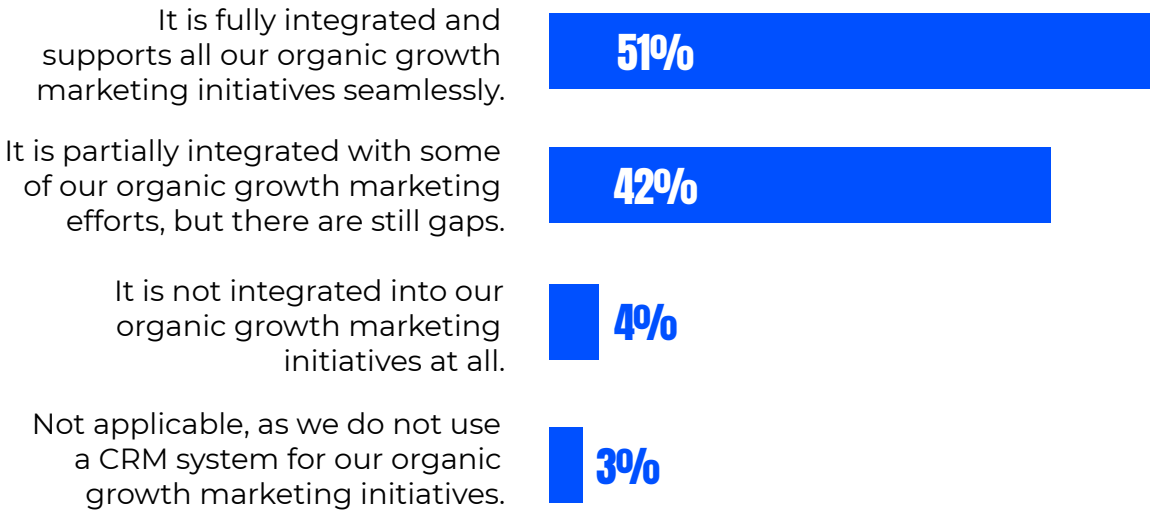


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Which of the following methods or approaches are you using to drive organic growth?



To what extent is your current customer relationship management (CRM) system integrated into your organic growth marketing initiatives?



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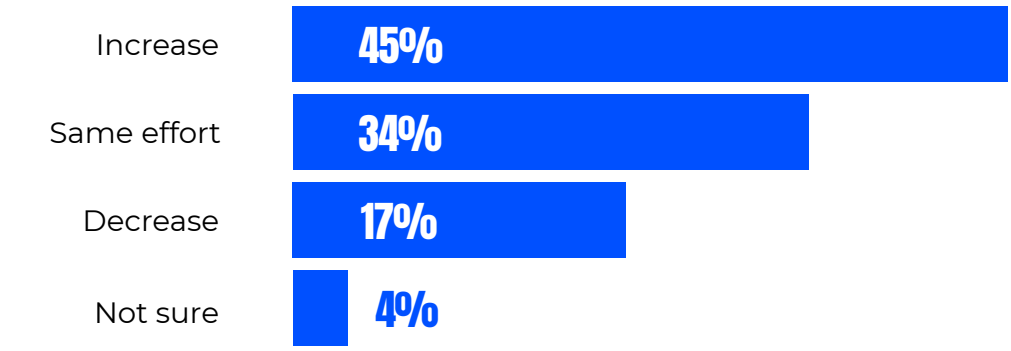
Please rate the importance of each of the following strategies to grow revenue and improve performance for your firm in the next 12 months.



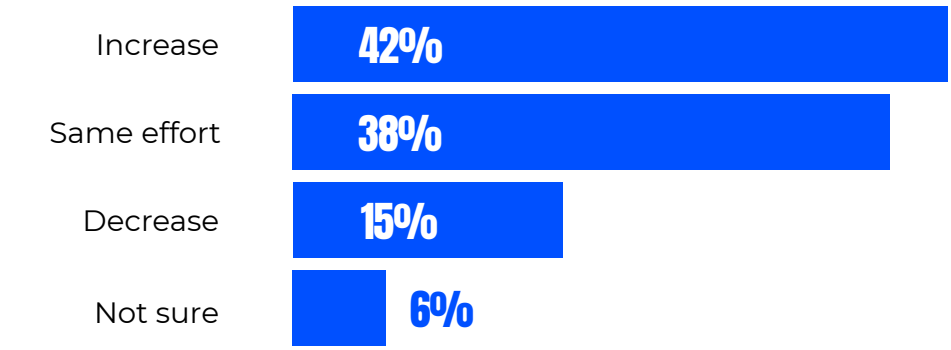
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Does your firm plan to increase targeting efforts, decrease targeting efforts or keep targeting efforts the same for each of the following groups over the next 12 months?

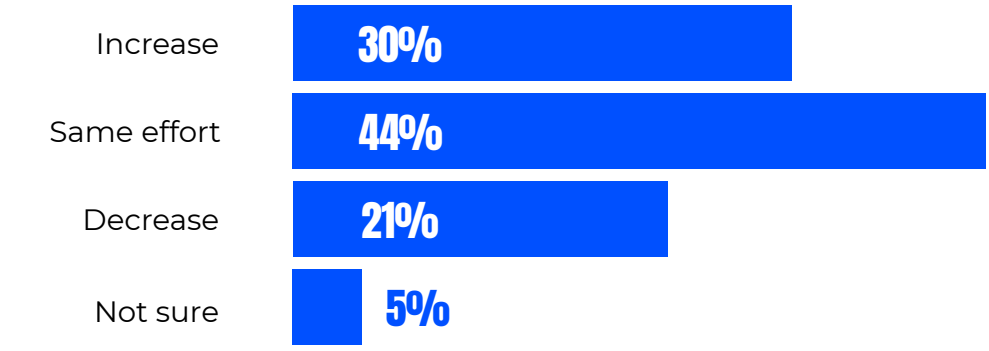
Younger clients (millennials, Gen Z, etc.)



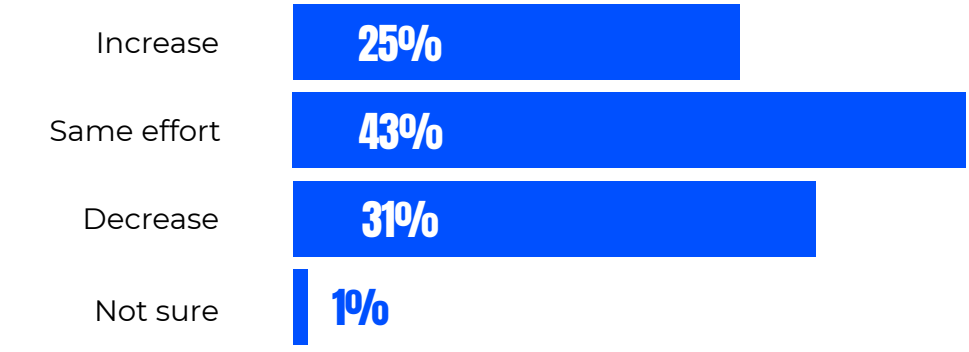
Ultra-high-net-worth clients



Women



Minorities

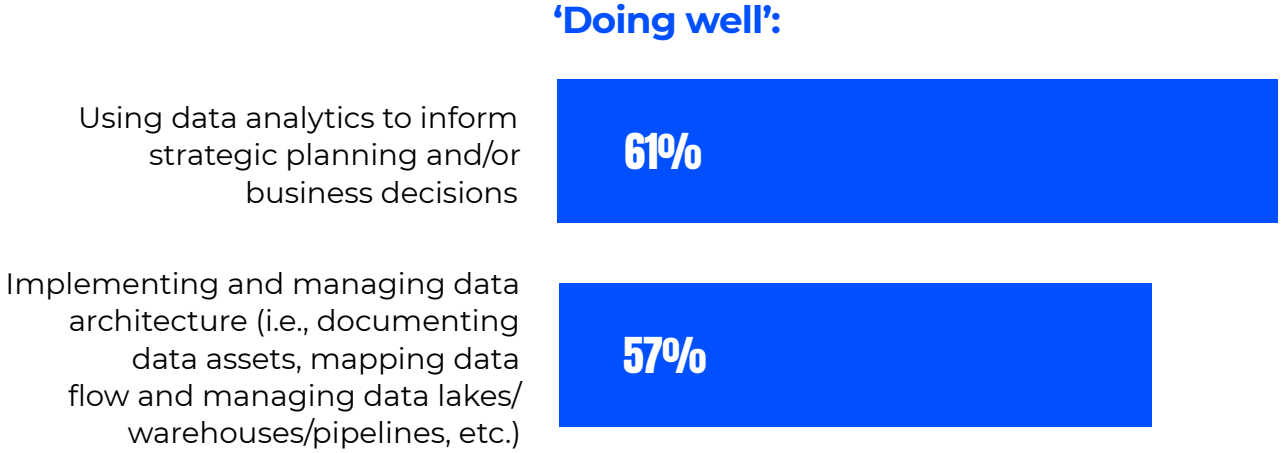


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To what degree are you concerned about each of the following over the next 12 months?

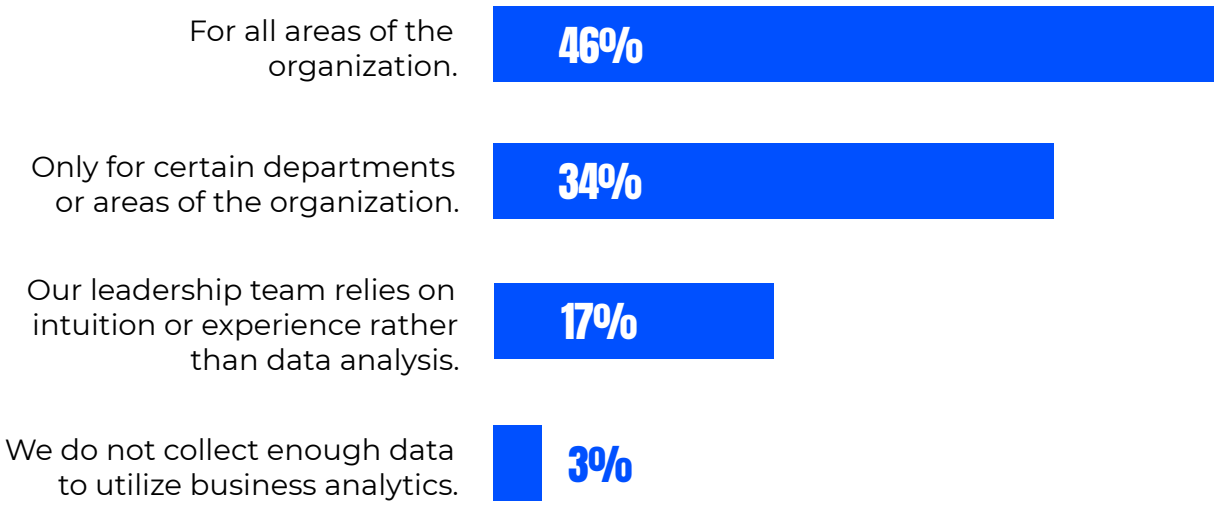


How would you rate your firm currently on the following digital practices?

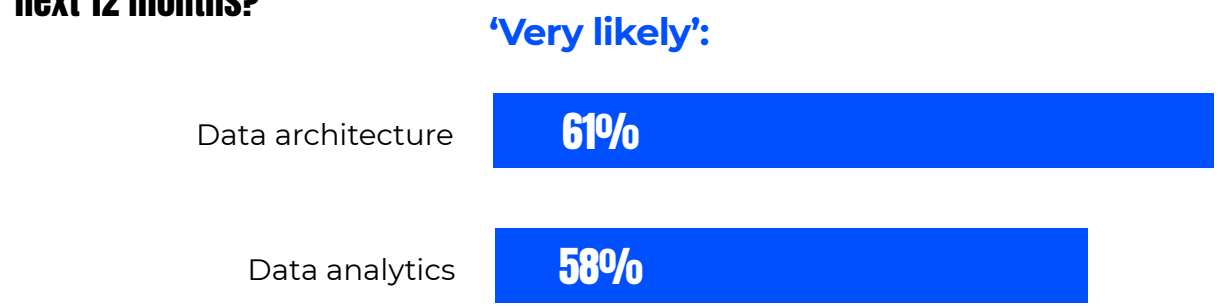


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How does your leadership team utilize business analytics to make data-driven decisions?

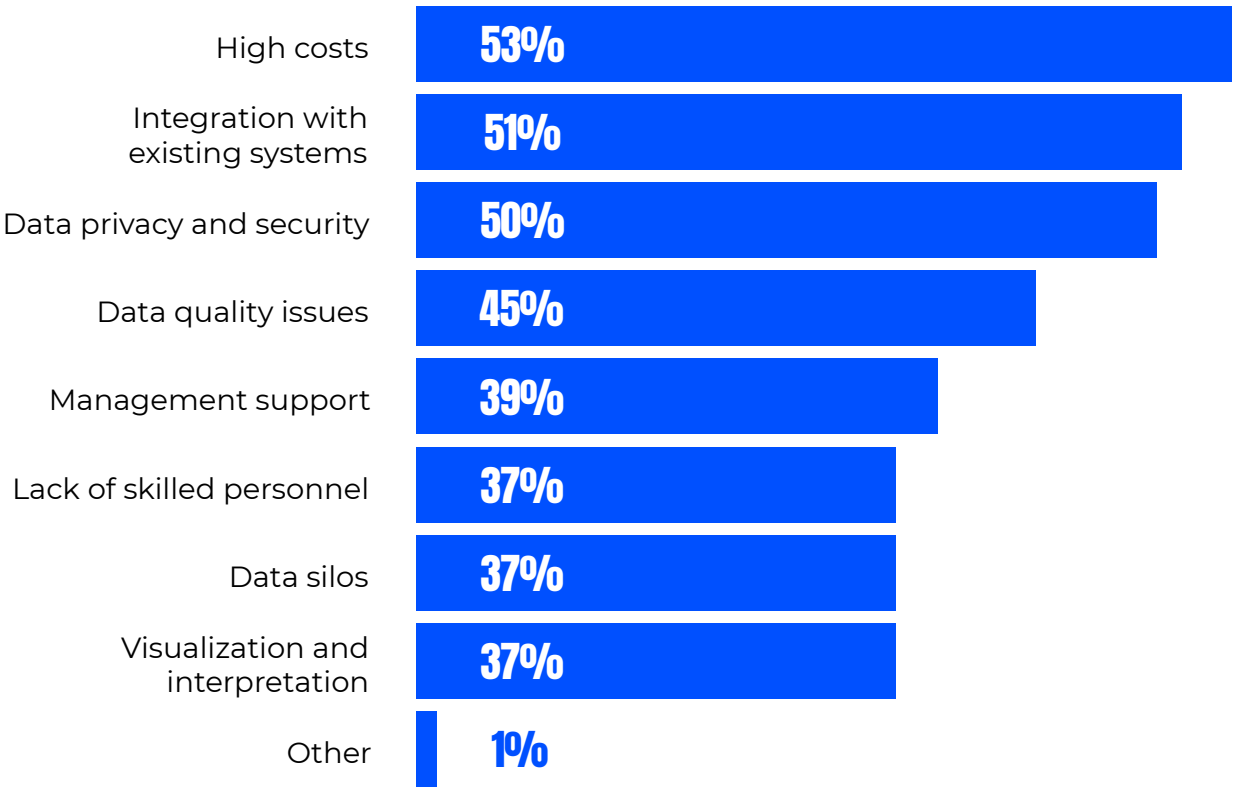


How likely is your business to invest in data architecture and/or data analytics in the next 12 months?

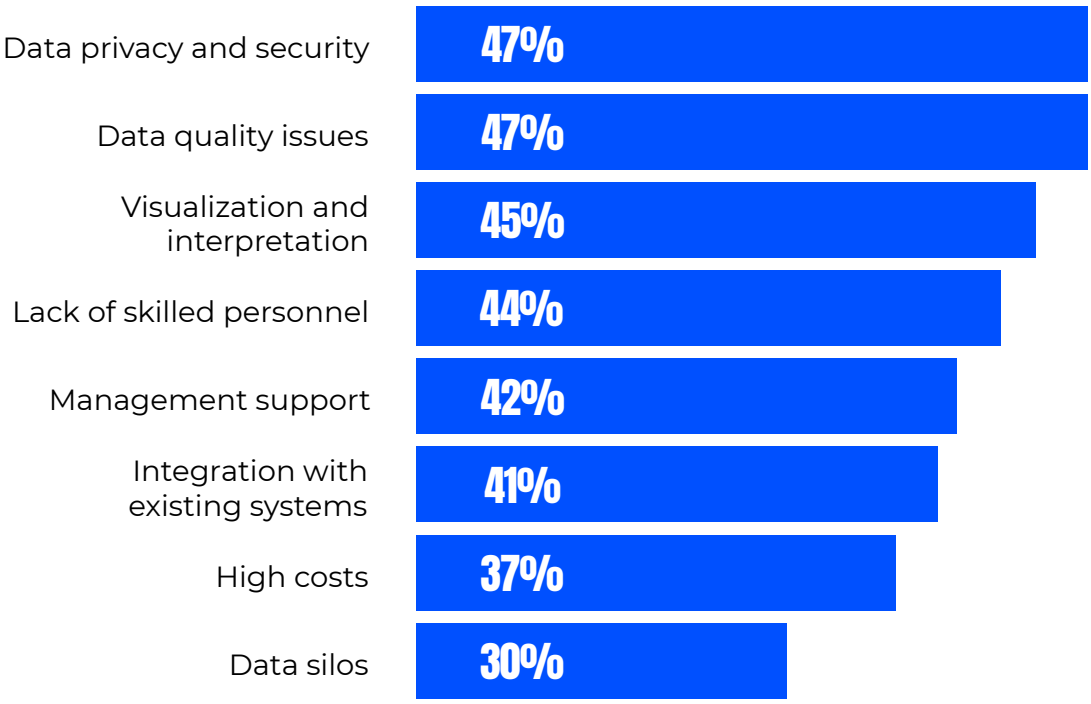


What (if any) are the main challenges your business faces in implementing effective data architecture and analytics?

Data architecture:

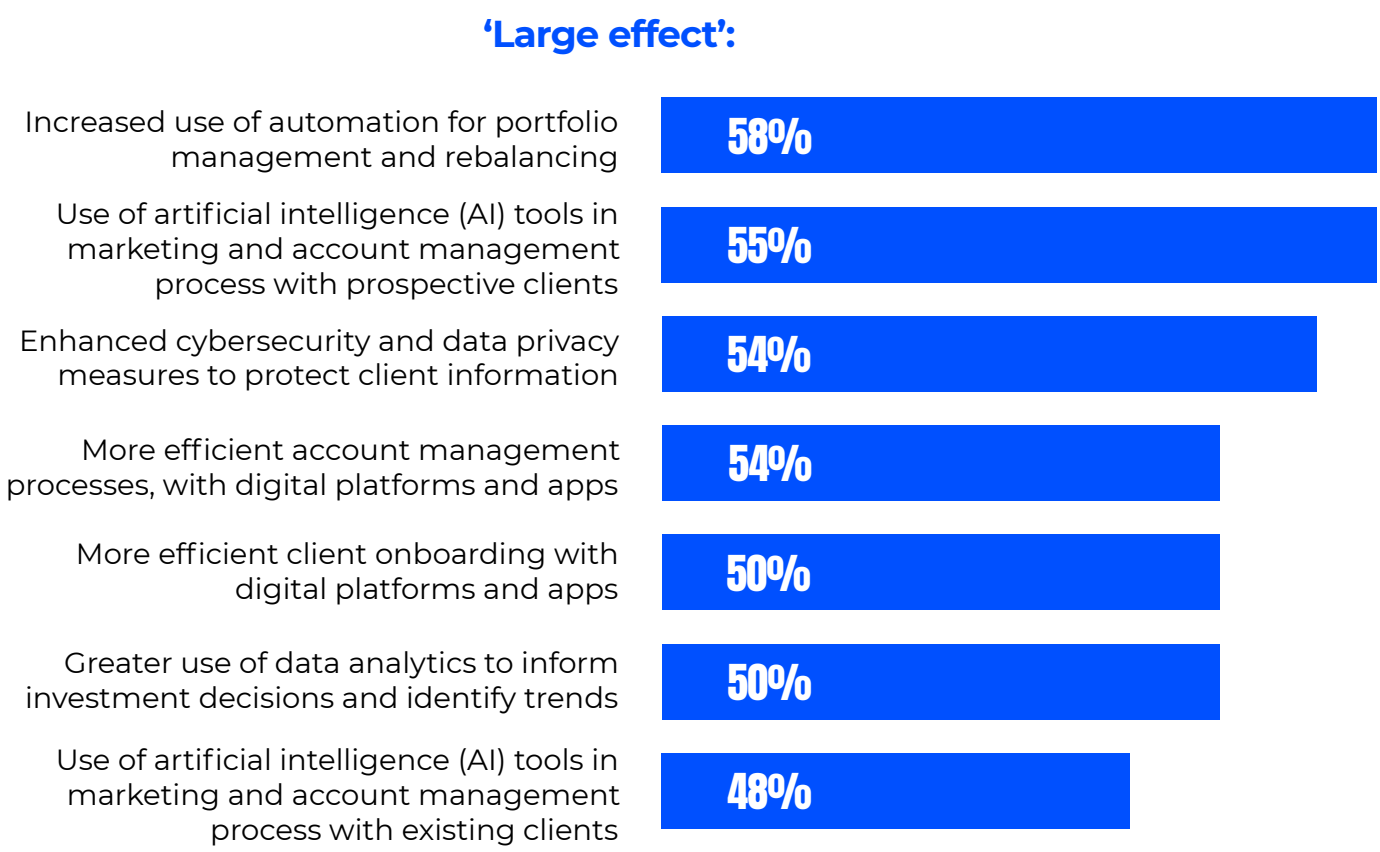


Data analytics:

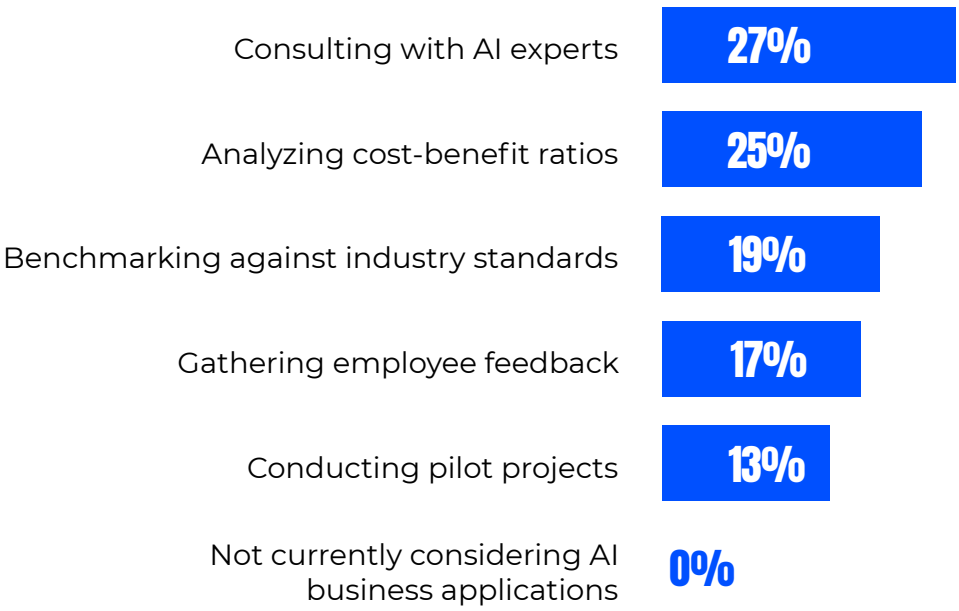


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How are the following technology factors affecting the way you currently do business?

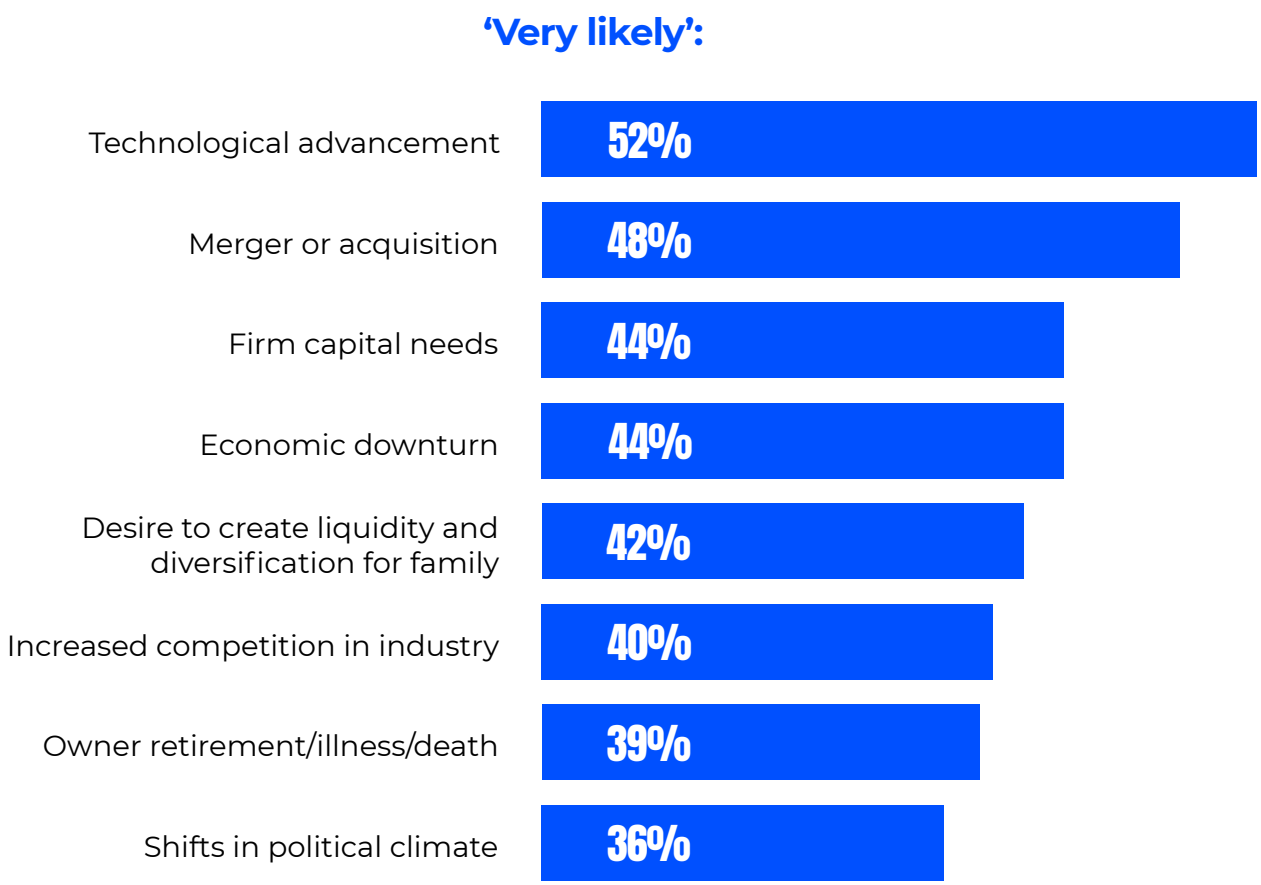


How is your firm currently evaluating the potential of artificial intelligence (AI) business applications?

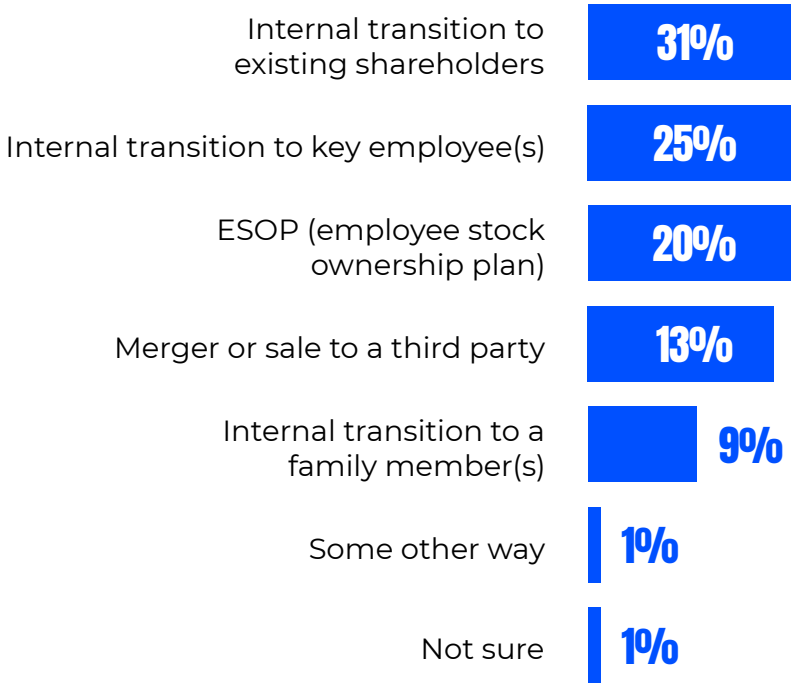


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How likely are the following factors to drive ownership change at your firm?



As you think about ownership changes and succession planning, what would be your preferred means to transition your business?



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Please rate the importance of each of the following when considering potential mergers and acquisitions (M&A) transactions for your firm.

‘Very important’:



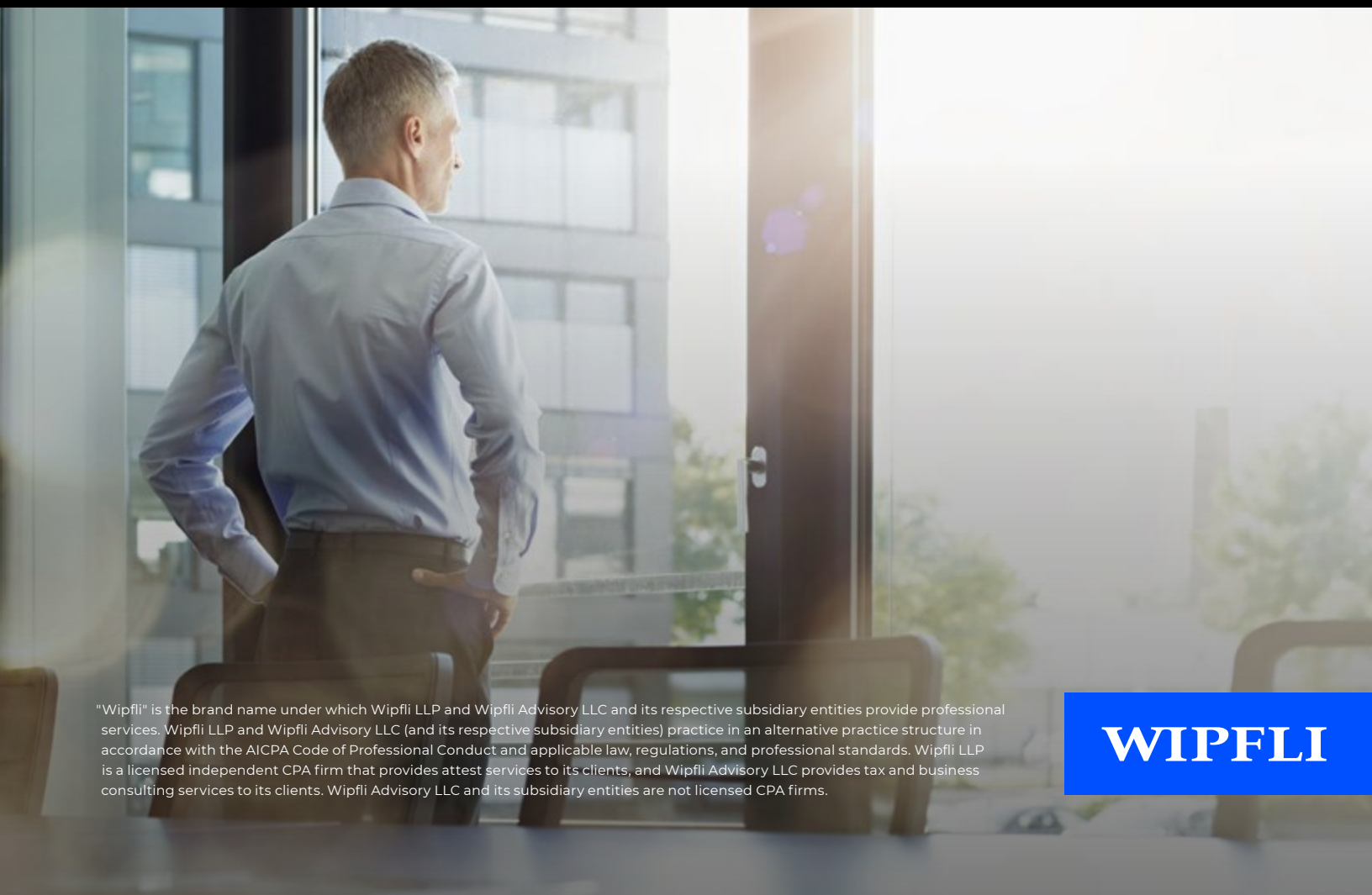
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YOUR NEXT STEP

If you're unsure whether your firm is using technology to its fullest potential, we're here to help. Wipfli can help you choose solutions that improve efficiency and make the best use of data to maximize returns for you and your clients.

Discover how our integrated approach can help you identify and take advantage of the latest opportunities in wealth management.

Visit **wipfli.com/wealth-management** to learn more.



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