



Hot Vendors in Financial Wellness, 2020

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Topic: Financial Wellness

Issue: Who are the providers in the financial wellness market who are making a difference?

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Aragon Research
2020 HOT VENDOR



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SUMMARY

Financial wellness is a new category of benefit that will assist people to accurately plan for their life events, including but not limited to retirement. Aragon has identified a vendor in financial wellness that is making a difference in the market.

Key Findings:

Strategic Planning Assumption: By YE 2023, 50% of financial wellness applications will have predictive planning as a standard feature of their service (70% probability).

Strategic Planning Assumption: By YE 2022, 40% of enterprises will have already begun to make the shift to financial wellness platforms (70% probability).

Introduction

In financial services there's never been a time where disruption has occurred more than now. New technologies such as artificial intelligence (AI) are changing the software landscape and allowing for a better understanding of current and future events. One of these areas is financial planning. Aragon has identified a new category that is called financial wellness, which has emerged on the scene and is making a huge difference in how employees can plan for all the different life events they will face during their career.

This research note provides an overview of the financial wellness market and highlights BrightPlan, one of the vendors that is already making an impact in this new market.

What is Financial Wellness

Financial wellness refers to the new class of software application that allow for the complete lifecycle of financial planning and management, and automate the budgeting, saving, and investment process. This enables associates to meet their life goals. There are four aspects of financial wellness that enterprises need to consider (see Figure 1):

- Enrollment and onboarding
- Predictive planning
- Managing life goals
- Investment automation



Figure 1: The architecture of a modern financial wellness platform.

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Onboarding and Education

Onboarding new members onto a financial wellness solution is vital and is also non-trivial. The process needs to be frictionless and easy, and it also needs to educate the users about how it is going to benefit them now and down the road. The problem in the past is that many of the onboarding approaches enabled getting set up with a tool but not getting the user focused on what they need to do for planning and investing, and how they need to do it. For financial wellness, even with its automation capabilities, it is critical that the onboarding process be well thought-out with seamless journeys, and that it be perceived as straightforward and engaging.

The Rise of Predictive Planning

As part of financial wellness, Aragon Research is predicting the rise of predictive planning, which will be built into many of these applications. It is essentially an AI-based application that uses certain deep learning algorithms to continuously run models using data from a variety of sources to accurately help associates understand their potential outcomes if they take certain actions tied to portfolios and investment strategies.

While modelling is not new, what is new is the ability of AI platforms to accurately predict an outcome at a higher accuracy rate than ever before. Being able to run these planning assumptions using both cloud and edge computing devices (e.g., smartphones) means that the speed of these computations will be faster and more responsive to users.

Predictive planning would also anticipate the needs of an associate and lead them to the optimal journey based on their unique characteristics. Some of the capabilities involved include predictive best next action and hyper-personalized journeys.

Strategic Planning Assumption: *By YE 2023, 50% of financial wellness applications will have predictive planning as a standard feature of their service (70% probability).*

Planning includes both a software and a human element. In some cases, providers such as BrightPlan actually provide an enterprise with a digital platform (both mobile and desktop) and financial advisors for their associates. Aragon feels that in other cases, digital assistants (chatbots) will eventually be able to do similar functions as humans. Part of comprehensive planning involves educating associates to live within their means and to manage their cash flow.

Once that takes place, setting financial goals, saving and investing to achieve them, as well as beginning to do what is called estate planning are all a key part of the overall planning process.

Planning is also an ongoing process because times change and so do investment priorities, which is why modern financial wellness offerings deal with investment automation (see investment automation).

Managing

Part of the day-to-day process of managing towards life goals means understanding spending and developing automated budgeting. Analytics plays a big role in managing and, again, an advisor can help associates understand where they need to make adjustments in their lifestyle so they can keep up with their financial goals. While advisors today are mostly human, Aragon feels that going forward there will be virtual chatbot-based digital coaches that will assist associates in making their financial plans.

Things that come up in the managing process include alerts when spending gets off-track and notifications on things such as personal balance sheets. Past approaches to managing often just meant sending a statement to the associate, which often was not looked at. Coaches were typically salespeople who moved assets around to maximize commissions.

Newer techniques such as in-app notifications and reminders via messaging are emerging as best practices to allow associates to stay up-to-date with all that's going on with their investments. The good news is that much of the day-to-day management can be automated, which takes pressure off the associate and avoids costly decisions driven by knee-jerk reactions in financial markets.

By the same token, some associates get too involved with the day-to-day activities and so managing investment expectations for overzealous associates is also something that needs to be taken into account.

Investment Automation

The issue facing enterprises and governments is that there are at least two generations of the workforce who have fallen short in the area of managing money to earn desired returns and achieve their financial goals. Automated investing is one way to start to solve this. While this is not an easy step, it means giving others control of investing so that desired outcomes can be achieved. This is where Aragon recommends service level agreements with financial wellness providers to ensure that these automated investment programs provide a level of performance for the financial vehicles they offer.

This does not mean that associates cannot do their own investing, but it does suggest that automation with the right level of human oversight can allow people to reach their financial objectives with fewer bumps in the road that can often delay the age that a person can buy a house or when they can retire.

The major benefit of automation is to keep associates from acting emotionally and trading at the wrong times. This behavior is a significant drag on investment performance. Automation and trusting the automation removes this emotional, reactionary behavior, and academic research shows such strategies perform better in the long haul.

Financial Wellness Platforms as the Evolution of Retirement Plans

Aragon feels that financial wellness platforms are poised to be the next generation of financial planning options that assist associates with all of their life goals. In the past, the reason that so many employees stayed with a firm for their entire career was because that firm would guarantee that employee a retirement pension that was good for the rest of their life. Today, outside of some governments, there are very few companies offering pension plans. Retirement plans today are primarily 401(k)-based, requiring associates to determine their savings.

In the era of 401(k)s associates were not trained on investing, and in many cases, didn't achieve many of their life goals. This is due to a variety of reasons, but a lot of it had to do with a lack of market understanding, and also a lack of understanding of the need for saving, prudent investing, and having the fortitude to stay the course.

Financial Wellness Platforms Will Become Part of Employee Engagement

Today, turnover at many enterprises is at an all-time high, and part of the reason for that is that associates do not feel that the enterprise cares about them. Aragon believes that financial wellness platforms will help to provide a higher level of trust between the associate and the enterprise, and as such, financial wellness platforms will become a key plank in employee engagement going forward. (see Figure 2). This means that enterprises will need to invest in financial wellness platforms and have them fully rolled out so associates can start to take advantage of them.

Part of the challenge has been that in the past first-generation offerings often had great planning tools but not great execution, leaving many people with disappointment about outcomes. Newer generations of these financial wellness platforms, such as the vendors mentioned in this report, are helping to alleviate the concerns of the past offerings. However, enterprises should be aware that not all financial wellness platforms are the same, and they should execute careful due diligence to ensure that the claims the vendor makes can indeed be attained.

Strategic Planning Assumption: *By YE 2022, 40% of enterprises will have already begun to make the shift to financial wellness platforms (70% probability).*

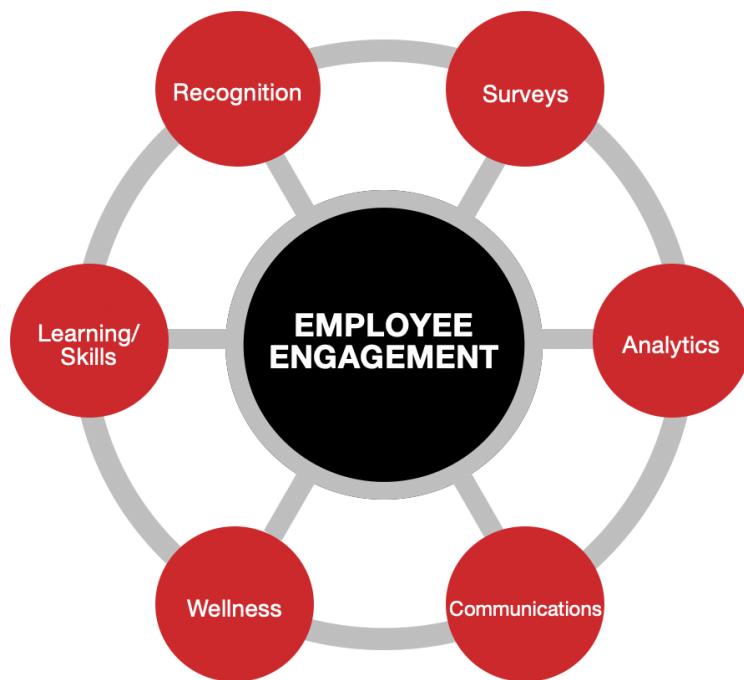


Figure 2: Financial wellness will increasingly be expected to be offered to associates as part of an employee engagement initiative.

Don't Forget About Learning and Education

Part of the challenge for associates is a lack of knowledge about the life events they will face. Examples include buying their first house, saving for college, or planning for retirement. Companies are realizing that this is becoming a bigger issue and are beginning to adopt financial wellness as part of an overall employee engagement strategy. In many cases, younger associates put off retirement planning and investing because they do not understand the implications of waiting. Education about the importance of financial planning to meet life goals is key. For example, buying a house can often be done sooner than some realize with an effective savings strategy.

This means that training and education should be part of a financial wellness approach. Part of the reason for this is that associates lack an understanding of the need to plan for a future event such as saving for college. In some cases, enterprises may need to plan on more robust training as part of the onboarding process. This is due to perceptions created by earlier generations of planning tools and services.

Eras of Financial Wellness

In many ways, this new category of financial wellness follows many other failed attempts at doing the same thing. The earliest days of investors trying to manage their own money proved to be troublesome. In the early days, there were many types of financial calculators and many were trying to take advantage of new financial instruments such as 401(k)s. The huge range of options combined with a lack of education often ended up with a lack of action by the associate. As a

result, many calculators, which started in 1980, fell flat and we saw a huge surge in managed retirement planning done by financial professionals (See Figure 3).



Figure 3: The eras of financial wellness.¹

First Era: Calculators and 401(k)s

This was an attempt by governments to replace pensions with an investment approach that was supposed to replace the pension plan. Part of the problem with the promise of 401(k)s were that the calculators offered were too optimistic in the financial projections that ended up being not true.

The other problem is that, while there were tax advantages for individual investors to save from their paychecks, the understanding of investing proved to be a great burden for individuals. Investment goals went unmet. The problems with the calculator-focused approach led to frustration and inaction, which gave rise to financial planners and financial managers.

Second Era: Financial Planner/Advisor

One of the responses to the market was that banks, insurance companies, and brokerage firms began to offer investment advice to individuals and to companies. This too was fraught with problems that were due to two things: 1) brokers were actually incentivized to buy and sell stocks to generate commissions—this often was in their best interest but often not in the best interest of the individual they were hired to represent, and 2) the stocks and funds that were being offered often did not generate the returns that the investment advisors said that they would. And the internal fund fees were higher than average and higher than perceived by the associate.

Third Era: Financial Wellness Era

With the advent of AI, better predictive models have emerged that can enable people to have a better plan for the various life events they will face, which can actually be implemented through a managed investment strategy. As mentioned above, this brings us full-circle back to the era of access to professional money managers implementing smart risk vs. return strategies that provide the level of investment needed to reach important life goals, including retirement.

Financial wellness is still a new market area but shows great promise and the fast adoption by some large companies is proof that there is a strong desire for this type of service given the early results that some of these providers have shown.

Why Financial Wellness Will Be Well-Received by Employees

One of the biggest stress factors that people face in their working career is the question of if they will have enough money to meet their life goals and afford to retire. The reality is that many people today who are close to retirement age still don't know if they have enough money to adequately retire. The reality is that many don't, and this creates high levels of anxiety and stress.

Financial wellness offers a form of peace of mind for both younger and older generations of the workforce. It is hard to put a price tag on what this is worth, but we do expect that companies that adopt financial wellness will see much higher levels of loyalty from their associates. Just knowing you will be able to meet life goals and live comfortably is one of the best justifications that any enterprise should look at when deciding to invest in one of these financial wellness providers.

Hot Vendors in Financial Wellness, 2020

This research note is not intended to be a complete list of vendors in the market being discussed. Rather, it highlights vendors with interesting, cutting-edge products, services, or technologies.

One of the 2020 Hot Vendors in Financial Wellness includes:

- ***BrightPlan***
- ***My Secure Advantage***
- ***PayActiv***

BrightPlan

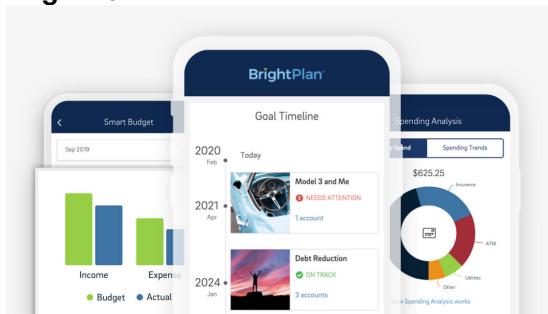


Figure 4: BrightPlan is a financial wellness platform for the enterprise.

BrightPlan, headquartered in San Jose, CA, and led by founder and CEO Marthin De Beer, is a financial wellness platform provider that offers both web and mobile apps, and human financial advisors as part of its service (see Figure 4 and Note 1). BrightPlan aims to address a series of challenges faced both by workers and enterprises: it enables more streamlined personal financial management, aiming to mitigate employee stress by making their employer's financial wellness solution easy to understand and use. BrightPlan leverages AI-based analytics to track personal finances and encourage smart budgeting and spending. Its Financial Wellness Coach is an AI-driven digital financial advisor that motivates good financial behavior by gamifying financial progress and recommending next steps tailored to the individual. And its investment feature facilitates automated investing and goals-directed portfolio planning. The company is the first financial wellness solution certified for fiduciary excellence by the Center for Fiduciary Excellence, CEFEX.

What makes BrightPlan hot is its Total Financial Wellness Platform approach, that helps to streamline onboarding, predictive goals-based planning, and investment automation. BrightPlan connects employees with knowledgeable advisors who can counsel them on 401(k) and retirement planning, stock and equity, and planning for tax, estate, and insurance contexts. Without paying additional fees, associates receive face-to-face access to CFP-level knowledge. BrightPlan also offers a suite of online courseware that is personalized for each enterprise and aligned with their benefits offering.

Who Should Evaluate BrightPlan?

Enterprises in search of a comprehensive financial wellness platform that goes beyond manual, legacy approaches should evaluate BrightPlan for its complete offering, which includes a

Note 1: BrightPlan at a Glance

BrightPlan is a provider of Total Financial Wellness that offers a personal finance solution for all employees that is real-time, personalized, and integrated with employer benefits.

Location: San Jose, California

CEO: Marthin De Beer

Key Offerings: BrightPlan

Availability: Available Now

Website: <https://www.brightplan.com/>

digital platform and human financial coaching to provide employees with a personal experience that responds to their unique financial situation and needs.

Aragon Advisory

- Enterprises should evaluate these Hot Vendors and determine how they compare against their enterprise's defined financial wellness program and policies.
- Enterprises should ask providers for product roadmaps that include but are not limited to the use of AI for predictive planning and investment automation.
- Enterprises should plan for a detailed rollout of financial wellness, including training that may need to be more comprehensive than what the provider offers.

Bottom Line

Financial wellness is poised to become one of the most sought-after employee engagement offerings and benefits that any enterprise could offer to its associates. Aragon expects aggressive growth of the financial wellness category. Careful analysis of provider capabilities will be required, including current and future plans of providers to use advanced technologies, such as artificial intelligence, to help to automate the process in a holistic manner.