This Canadian Bank Is Winning the Wealth Management War!

Description

Every once in a while, a technological advancement comes along with the capacity to disrupt an entire industry profoundly.

While it's easy to downplay such emerging technologies and their impact on market players, I think it's only prudent for top-down investors, those who look at macroeconomic indicators and work their way down to individual companies, to at least hedge themselves from potential disruptive forces if they find they're overexposed to an old-fashioned industry that's about to get shaken up.

Warren Buffett is an old-time investor who's shied away from the tech industry, but he's come to realize that many emerging technologies are inevitably going to have a negative impact on many of the businesses he owns, either personally or through **Berkshire Hathaway**.

GEICO, the auto insurer, is ripe to be disrupted by the emergence of the self-driving car market, and Buffett's big bank bets will need to pick up their tech efforts to thrive in an era where small up-and-coming fintech players may have the opportunity to nibble away at a market share that used to be secured by a wide moat.

Indeed, the moats of many old-fashioned businesses will stand to be eroded as disruptive technologies continue proliferating. So, if you, like Buffett, are oblivious to technology, then it's time to roll up your sleeves and widen your circle of competence so you can counteract and even profit from technological trends that will completely change how business is done within industries that are affected.

New technologies tend to work their way into our daily lives subtly; they're barely noticeable. One minute you're using a passive robo-advisor (not that impressive), and the next thing you could be interacting with a sophisticated artificially intelligent agent who's also your active portfolio manager looking to obtain alpha based on your unique needs.

New technologies may take years, even decades to have a meaningful impact on an industry. This gradual easing doesn't make the technological disruption taking place any less profound, however, as, during this extended period, companies are going to be forced to adapt and embrace new technologies or die trying.

Consider **Bank of Montreal** (TSX:BMO)(NYSE:BMO), the Canadian bank that's been doubling down on its wealth management business of late.

You may have noticed SmartFolio, BMO's proprietary robo-advisory offering. While it's definitely not necessarily a game-changing technology at the moment, as there are tons of up-and-coming robo-advisors flooding the market (Wealthsimple, Wealthbar, Planswell, and the like), I believe BMO has a competitive edge over its fintech startup peers who've been touting their "revolutionary robo-advisor tech." Although SmartFolio isn't the cheapest option, I think it's the most sophisticated robo-advisory that's currently available to Canadians.

SmartFolio is growing appeal with its hybrid active-passive approach, and as BMO leans more on the active side, with new "smart" ETF offerings, and further technological improvements, I believe BMO will eventually make quick work of the non-bank-based wealth managers.

I believe BMO is one of the frontrunners when it comes to wealth management tech, and as Canadians continue to embrace new lower-cost technologies, we're slowly but surely going to the witness wealth management lose its human touch throughout the next decade. BMO realizes this, which is a significant reason why they've doubled-down on their robo-advisory service, among other fintech investments.

As for non-bank investment managers whose earnings are heavily dependent on the sale of high-fee actively-managed mutual funds, I wouldn't touch those with a barge pole, as they're within an industry that's going to be in the doghouse as fintech becomes to go-to option for most retail investors.

Foolish takeaway

If you're drooling over the +5% yield of a non-bank wealth management stock, stop yourself and consider the implications of doing so in 5, 10 or 20 years down the road. Odds are that investment is going to continue to slide as it works against strong secular headwinds. BMO, on the other hand, has the wind to its back and will reward investors both with capital gains and huge dividend hikes.

Stay hungry. Stay Foolish.

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