

HOLISTIC TECH

How advisors use tech to offer comprehensive service and fuel breathtaking growth

• *BY STEVEN A. MORELLI* •

high-tech support, he still can deal with clients just as he did in his analog days. He uses a paper agenda and writes notes as he goes along the process with clients.

"Then I walk out the door and around the corner or back to my office, or I sit in my car," he said of his post-meeting process. "I take out my phone and use an application called Mobile Assistant, and dictate five or 10 bullet points into the phone. Eight hours later, I get a transcript prepared by a human being, not by Dragon, because I never was able to get that to work."

He then edits the document before he uploads it into his CRM as a strategy note. If the list calls for tasks, he creates them in the system and assigns team members.

"Let's say we decide in our client meeting that we're going to change the asset allocation from 75 percent stocks to 70 percent. Well, I've written that down on a piece of paper, then documented it in Mobile Assistant, and uploaded that into the CRM and created specific tasks for our portfolio manager to change the asset allocation."

Edwards knows not only that request will be an open item in his portfolio manager's system the next morning, but also that he'll get a notification when the manager has completed the task.

"Previously, all that work was contained on about eight to-do lists scattered across my desk," Edwards said. "And I lived in permanent paranoia that something was overlooked."

Now, instead of spending 80 percent of his time on administration and 20 percent on his clients, he has reversed that proportion.

FIDUCIARY RUNS ON TECHNOLOGY

For Tony D'Amico, technology and fiduciary duty go together at his aptly named firm, Fidato. The seven-person registered investment advisor agency outside of Cleveland focuses on helping near-retirees become secure retirees.

"We're not just doing a light financial plan and saying, 'Hey, the financial plan shows that we should reposition your assets,' and then not really pay a lot of attention from that point," D'Amico said. "We're actually doing tax analysis, working with a CPA, looking at Roth conversions and that impact on the plan. We look at harvesting

losses or gains, or we're looking at estate planning. So, if you're providing that deep of a service, technology is a must."

Like Edwards, D'Amico relies on robust financial planning software — MoneyGuidePro, in his case.

"That's our most important technology," D'Amico said. "It's a goal-based approach."

D'Amico described the key distinction between two kinds of financial planning software. MoneyGuidePro is considered a leader in a **goals-based approach**.

On the other side, eMoney is a leader in a **cash-flow-based approach**. That's the software and the approach that Edwards

popular lately, largely because of its association with holistic planning.

Advisors and tech experts identify financial planning software as the essential tool for sophisticated advising. So, it makes sense for advisors to determine what style of planning they prefer, to help guide the software choice.

Both of these approaches have detractors who have a similar criticism — each approach is limited. The cash-flow approach is confined to a track presented by cash flow. And the goal-based approach is restricted by the dream — is the dream big enough? Honest enough?

Of course, that's a simplified version of the discussion. Advisors can manage a bit of both in either system. For example, when Edwards works with clients, he is asking about their retirement dreams, and then determining whether their cash flow will sustain them.

Before the planning software enters the picture, a CRM has to form a foundation. D'Amico's firm took the big leap in 2012 with Redtail. They transitioned from paper notes and Word documents to a digitized system little by little to make sure they were onboarding correctly.

"We looked at calendaring, how we track ongoing financial planning priorities, and what the client has to do versus what we have to do and when the next activity is due," D'Amico said of the process.

Although it was a time-intensive, laborious process, D'Amico's staff of four at the time was all on board with it. It helped that they were on the younger side and comfortable with the digital life.

"I was motivated," he said. "But they were more motivated to get that in place because I think they just were used to that."

One thing he did outsource, though, was his IT needs. He recognized the office needed the expertise so his employees could work on what they knew best. A company runs the office's systems and has the data on remote servers with redundant locations.

D'Amico had been using a cloud-based service, but a friend who works in cybersecurity warned him against it.

"He just made me aware of the increasing security threats," he said. "And it was taking the office manager's time to run updates on computers and things like that.



If you're providing that deep of a service, technology is a must.
— Tony D'Amico

uses. He speaks about cash flow and projections as far as 25 years and beyond.

Although Edwards does also talk about goals, such as retiring at a certain age while maintaining a particular lifestyle, the two schools of thought have some distinctions and both have ardent followers.

The essential difference is looking at the destination or the means available to the client. With a cash-flow approach, the analysis starts with a deep dive into the financial situation and structures a scenario with the numbers.

With the goals-based approach, the advisor starts with the client's dream and works backward. Whether the client wants to retire to the Riviera or collect Buick Rivieras for the rest of their days, the analysis can determine how much money would be required to realize that vision. This approach has become more

So, it was a security improvement and a time savings for us. They update all of our computers on an ongoing basis. They have redundancy. They have a disaster recovery plan. It's basically kind of what you would find at a big firm."

The service costs a minimum of \$1,500 a month, which is not onerous now. But when he started the service, it was a comparatively big expense.

However, it paid for itself pretty quickly because of the business it helped generate as an unintended consequence. It seemed that high-net-worth clients with several million dollars to invest were keenly interested in the firm's security and were reassured by what they heard.

With nearly \$130 million AUM and growing, D'Amico's firm is on solid footing. His earlier, painful investments paid off. He and his employees were able to work through the details and do the heavy lifting.

'NOBODY GIVES YOU FREE TECHNOLOGY'

Some firms and individual advisors turn to consultants for help with the process. They call people like Joel Bruckenstein.

Bruckenstein is a tech consultant, author and producer of the well-respected T3 technology conferences. He transitioned from financial advising in the 1980s to technology as it developed. He conducts two conferences: the T3 Enterprise Conference in the fall, which focuses on C-suite and other leaders looking for technology and enterprise information, and the T3 Advisor Conference in the winter, which in 2018 is Feb. 6-8 in Fort Lauderdale, Fla.

As a consultant, Bruckenstein helps advisors think through the choices in new systems and sees some common themes. One of those is the thought process that advisors need to follow if they are considering leaving a wholesaler or company to grow into a larger business or offer a wider array of services.

"There are two decisions to be made," Bruckenstein said. "One is a business decision, which is, does it make sense for my future business plan to maintain a relationship? The other part of the puzzle is, given my new business model, can my current distributor support what I'm trying to do?"

Advisors have to decide whether the company's software and support will help them grow in the direction they need to. If

it isn't acceptable, that simplifies the decision to break away. But, of course, the next stage is anything but easy.

The advisor is looking at a large expenditure of time and money. But Bruckenstein argues that the advisor is already paying for technology but might not realize it.

"Nobody gives you free technology," Bruckenstein said. "They say it's free, but somehow, it's getting paid for. You're either paying for it on your own, which to me, is

management software, if you want to do the downloads and reconciliation, you're probably looking at a minimum of \$500 a month, and it could scale up from there. **Enterprise content management** — if you need a simple document management system, it's well under \$100 a month. It depends on the amount of data you're storing."

Another necessity would be Microsoft 365 — including Word, Excel, PowerPoint and Outlook — at about \$12.50 a

Sometimes it's better, if you can afford to, to pay a little more upfront and do it right, because if not, you pay three or four or five times more later to make the conversions.

more transparent. You're making the decisions. Or you're having somebody else make the decision and pass on the cost to you either through a monthly technology fee, which is a little more transparent, or out of the commissions or the cash flow that you generate."

If advisors decide to make that break and support a more comprehensive or holistic practice, Bruckenstein said, they can expect to put certain things on the software shopping list:

- » Customer relationship management (CRM) system.
- » Financial planning software.
- » Portfolio management software.
- » Enterprise content management software.

Although that sounds like a hefty list, it may be as heavy a cost as an advisor might imagine. Bruckenstein ticked off what the most cost-effective prices might be at a minimum.

"You can get a Redtail CRM license for under \$100 a month," he said. **Financial planning software** — you're probably looking at somewhere between \$100 and \$300 a month. With **portfolio**

month. Advisors might also want a risk assessment tool, which can be another \$200 a month, if it is not already included in the financial planning software.

"It's not a tremendous amount of money," he said. "But there are firms that spend much, much, much more than that."

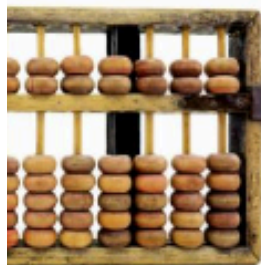
The biggest challenge for a firm is choosing the right technology at the beginning. It can be costly in time and money. But it is a difficult decision even for informed consumers.

Bruckenstein recalled an event he attended recently where a group of advisors who had their firms for about five years were discussing their technology purchases. It turned out that none of them had the same technology they had originally bought for their business. And they were formerly in technology-related fields before becoming independent advisors.

"They were penny-wise and pound-foolish," he said. "They were probably looking for the absolute cheapest systems at the time because they were starting up. But then they incurred a bigger cost a few years later on because they had to convert from suboptimal systems to better systems. Sometimes it's better, if you can afford to, to pay a little more upfront and do it right, because if not, you pay three or four or five times more later to make the conversions."

A key first step is one that Edwards identified — reviewing processes that are in place. Which ones are worth keeping, and can they be automated? Bruckenstein said he worked with an advisor who left a large insurance company to become a wealth manager.

Bruckenstein visited the firm for two days to evaluate their needs for the transition. A key finding was that the advisor was looking to buy a CRM system that was not a good fit — and was far more expensive than a more appropriate CRM.



If the first impression they get walking in is that you're doing financial planning on an abacus, basically, who's going to want to work there?

"They were trying to think about their investment process without taking into account the technology that would run that process," he said. "So maybe some of their workflows could have been much more automated if they did things a slightly different way. There were just some inefficiencies that were obvious to me and easily rectified, but clearly were not obvious to them."

Often, he said, people are buying a brand name that someone else recommended but might not be the right product for them.

Upgrading hardware is another important consideration. Not only does it help with efficiency, but it can be a key factor in recruiting younger employees and clients.

Bruckenstein sees advisors wanting to hire tech-savvy workers, but they aren't looking at their own tech first. These firms struggle to get young, qualified people in for an interview, who then invariably go elsewhere, leaving advisors mystified.

"I look around their office and I say, 'Well, let's look at your computers. The most modern computer you have here is five years old. You're still using the CRT monitors. They went out with the dinosaurs. Do you think a young, ambitious tech person is going to want to work in this office? If the first impression they get walking in is that you're doing financial

planning on an abacus, basically, who's going to want to work there?"

The same applies to younger, more tech-savvy clients.

"If you're trying to get millennial clients, or even clients in their 40s, if you don't have a good digital presence, you're not going to win the client," he said. "If you're walking in and doing planning on a legal pad, you're probably not going to get the client."

That falls under the similar issue of not recognizing the real issues that should be driving choices in tech. Bruckenstein

often discovers that the task he was hired to help complete isn't the one the client needs.

"What does happen sometimes — in fact, often; I would say 50 percent of the time or more — is I'll get hired because people think they have a specific problem. They'll hire me to help them find a new CRM software, or a new portfolio management software or what have you. I'll come in there and say, 'You know what? In my list of priorities, that's number five. I think you have three or four bigger problems.'"

LOOK OUT FOR DAY 90

Edwards is familiar with the disconnect. He saw it and studied it in his own boutique Manhattan practice. He realized he had been looking at his business as a job that paid him instead of as a living practice that required care and attention to grow. He didn't see his issues before because he wasn't looking at them.

As his business grew, other advisors would ask his secret. They didn't care much for the answer.

"I go to conferences all the time, meet with my peers and compare notes," Edwards said. "I'll mention that we grew 30 percent last year, and they go, 'Gee, we only grew 5 percent last year.' And they're offering the exact same services that I'm offering. There's nothing magical

about financial planning and investment advice — we all do the same thing. But they don't have a leader who obsesses about this stuff seven days a week."


When he re-evaluated his business, he realized fixing it wasn't a 9-to-5 job. And maintaining it would not be either. On weekdays, he works in the business; on weekends, he works on the business.

He said he still has long stretches when he spends Saturdays and Sundays working on such things as figuring out technology solutions and producing marketing material.

"The pace of change is constant. It's like, even your email signature should change every six to nine months," he said. "Presidents of other firms who mentally check out at 5 p.m. on Friday afternoon and check back in 9 a.m. on Monday morning don't understand why their firm's not growing."

Edwards said he knows this full well because that was him for more than 15 years of his business. He sees other advisors going on 20 to 40 years of a comfortable living. And although circumstances spurred him to make significant changes, today's market and regulatory environment ought to be the prod to get his peers to change what they are doing.

He worries about his peers, particularly when they bring to mind the Thanksgiving turkey story.

"If you're a Thanksgiving turkey, for the first 89 days of your life, everything is awesome," Edwards said. "You live in a protected place. There's a nice farmer who comes around every morning and makes sure that you have water, feed and antibiotics. There's no chance that predators are going to get to you. Everything is awesome until day 90, when you get your head cut off." 

Steven A. Morelli is editor-in-chief for InsuranceNewsNet. He has more than 25 years of experience as a reporter and editor for newspapers, magazines and insurance periodicals. He was also vice president of communications for an insurance agents' association. Steve can be reached at smorelli@insurancenewsnet.com.



Like this article or any other?
Take advantage of our award-winning journalism, licensure and reprint options. Find out more at www.innreprints.com.