ORION
ADVISOR TECH

UNNECESSARY COMPLEXITIES

How Technology Can Free Your Advisory Firm to Grow

State of the Industry

Financial services firms across the industry are experiencing a disruption to their businesses and the future of wealth management. From fee disruption caused by robo-advisors to service disruption from firms choosing to focus their craft on planning instead of pure asset management, it is a time of change for firms of all sizes.

Some of the most common challenges financial advisors face include:

- Evolving an **operational structure** to allow for growth when capacity is exceeded
- Identifying and reaching **new clients** who are a good fit for their business
- Creating an integrated and comprehensive **technology stack** that propels growth
- Communicating a clear and consistent **brand and message** throughout their firm

All of these challenges prevent advisors from doing what they do best and what matters most—building relationships with and offering financial guidance to their clients.

And the result of all of these challenges is a catch-22.

More often than not, when advisors attempt to balance running a successful business with building client relationships, they inevitably encounter increasingly complicated day-to-day activities such as more complex onboarding workflows and additional reporting and compliance processes. But in order for the typical advisor to focus on streamlining their internal operations, the scale often slides too far the other way and client relationships begin to suffer.

The good news is that this catch-22 of prioritizing service to clients or creating an efficient practice does not have to occur. Advisors simply need to understand where their firm is taking on what we call “unnecessary complexities” and then work to eliminate them.

Unnecessary Complexity:

Any instance in which an advisory firm adds an unneeded piece of technology, duplicative operational workflow, or time-consuming manual client relationship task that can be easily solved either by existing or available technology instead.

In the pages that follow in this whitepaper, we will identify five specific unnecessary complexities that can be remedied with the right advisor technology. Those complexities include:

- Navigating multiple tech systems
- Generating personalized client reports
- Developing customized models for each client
- Juggling different billing methods and exclusions
- Keeping up with SEC regulations

Advisors who know how to leverage their technology can avoid these complexities altogether and instead put their time toward growing a healthy and stable business.

The Role of Technology in Solving Unnecessary Complexities

Advisory firms approach the complexities they face with a number of different solutions, and not all of them are time- or cost-efficient.

Some of the most common ways firms try to solve the problems prohibiting their growth or altering their client experience is to hire more staff; outsource certain operational or marketing activities; limit their client services; deprioritize certain activities, such as client appreciation events; or even increase the budget they allot for a certain part of the business.

Perhaps the easiest—and more cost effective—way to reduce complexity in an advisory firm, however, is to leverage technology to reduce operational friction and streamline the end-to-end client experience.

The right technology can help advisors provide advice seamlessly into client engagements, which in turn can help rejuvenate their entire service offering.[1]

Furthermore, with comprehensive, integrated technology at its center, a firm can build a core that scales with them as their business grows, enabling alignment of experience and message across the firm's offering.[2]

The wealth management industry is filled with solutions, like Orion Advisor Tech's (Orion's) portfolio management technology platform, that can streamline an advisor's day-to-day business dealings.

1 https://www.wealthmanagement.com/business-planning/succession-planning-next-practice-management-crisis
2 https://www.wealthmanagement.com/business-planning/overcome-these-four-obstacles-sustain-advisor-growth

A Deeper Look at the Most Common Unnecessary Complexities

Navigating Multiple Technology Systems

It's no secret that advisory firms, by and large, love their technology and use a lot of it. And the technology selection they have to choose from is vast—one survey tags advisor-focused technology at over 100 vendors across ten categories.[3] Needless to say, from financial planning to trading to portfolio accounting, there is no shortage of possibilities when it comes to choices for integrating tech-enabled solutions into a practice.

Another survey indicates that 35% of advisory firms use three or more pieces of software.[4] While technology is necessary for a growing firm, complexity can grow as more pieces are added to a tech stack.

100+
Advisor-focused technology vendors[3]

35%
of advisory firms use 3 OR MORE pieces of software[4]

How This Complexity Negatively Impacts Your Business

Technology that doesn't communicate essentially cancels out any positive impact it has on streamlining your operations, since it ends up creating inefficiencies instead of solving for them. For example, updating client information in two or more different systems becomes a colossal waste of time. It also has the real possibility of leading to costly errors.

And as firms increase the number of different software applications they rely on, they also increase the time their staff needs to allocate toward implementing their new tech, learning its features, and staying current as new updates are released.

How Technology Can Help

Choosing the right technology is critical for financial advisors looking to scale and grow. That may sound obvious, but the execution can be complicated. Before taking the plunge on any new technology, it's imperative to make sure it integrates with (or directly replaces) what advisors are currently using.

New tech can be a dream or a nightmare, depending on its ability to synchronize with an already-established stack. And selecting software that provides more than a single-use solution can be a secret sauce in enhancing a team's efficiency (for example, selecting a portfolio accounting system that also includes an integrated trading platform).

3 https://www.riainabox.com/blog/2018-ria-technology-infographic-is-released
4 https://www.riainabox.com/blog/ria-industry-study-number-and-types-of-technology-systems-utilized

Instead of switching between systems to manage a client portal, maintain compliance attestations, and generate client reports, advisors that deploy a single system for multiple uses like these can cut down on training time and costs while improving efficiency.

Generating Personalized Client Reports

Client reporting isn't just a necessity for financial advisors, it's an incredible opportunity to deliver a remarkable experience for their clients. While in-person meetings are the foundation of a great client relationship, the digital experience needs to add support and structure to those meetings. Generating reports that resonate with each client's unique needs and styles helps to make them feel understood and opens the door for meaningful conversations.

But when advisors spend inordinate amounts of time creating, customizing, and running reports for client meetings—especially when they do it manually—they're missing opportunities to provide value elsewhere.

How This Complexity Negatively Impacts Your Business

Time spent troubleshooting a custom report or using valuable resources to monitor a report batch that takes hours to generate is time advisors aren't spending on more productive activities, such as rebalancing portfolios or connecting with clients who are due for their next review.

> Selecting software solutions that provide more than a single-use solution can be a secret sauce in enhancing a team's efficiency.

How Technology Can Help

Advisors don't have to sacrifice meaningful reports in order to save time on the back end.

The best way to reduce reporting time while still offering exceptional client reports is by deploying a portfolio management system with easy-to-use report creation tools that also boast fast report generation times.

Advisors can also look to technology to assist with automated client communications that can stand in for reports—such as automated text messaging that delivers portfolio information, or through scheduled email deliveries with similar information that reminds clients to log into their portal to view the full details.

Developing Customized Models for Every Client

Customization is an important way for advisory firms to differentiate themselves and provide value for their clients; however, too much customization can introduce unsustainable workloads for an operational team.

Creating custom model portfolios for each client has its roots in days-gone-by, when advisors acted more as stock-pickers and selected stocks and mutual funds individually usually during an annual review meeting. However, customization in portfolios is still important today as advisors must support that they are offering each client an appropriate strategy based on their unique needs.

How This Complexity Negatively Impacts Your Business

Creating a unique model portfolio for each client makes scale impossible. Especially during times of market volatility, a custom model for every client becomes difficult to monitor. The time drain on a firm's staff grows with each point the index goes down as advisors have to customize the content of every email sent, and prep for each meeting by reviewing a new set of data.[5]

How Technology Can Help

Offering a model portfolio doesn't mean a firm is limited to running a basic investment strategy without variation. Through a model marketplace, firms can search for and subscribe to new model portfolios (many of them for no fee) to meet a variety of client needs, with the added bonus of offloading the time spent managing them.

On the other hand, for firms that do prefer to manage portfolios personally, rebalancing technology and portfolio optimization tools can make it simple to keep portfolios aligned to risk and allocation targets, while also providing reporting insights and intelligence to help firms understand how market movement is affecting portfolios.

5 https://www.kitces.com/blog/market-volatility-customized-client-portfolio-rebalancing-model-management-client-relationship/

Juggling Different Billing Methods, Schedules, and Exclusions

Billing is a critical part of running a successful advisory firm. Obviously: everybody wants to get paid. But navigating fee schedules, assigning payouts for third parties, accounting for exclusions, and creating workflows can make the end of the quarter a stressful, tedious time.

How This Complexity Negatively Impacts Your Business

An unwieldy billing process not only wastes time and resources; it could also cause errors that disrupt relationships, either between clients and advisors or advisers and custodians. With a murky process, advisors also miss the opportunity to use billing to project fees for future quarters.

> "Advisors who spend their days working through one unnecessary complexity after the next, never get a foothold to advance their firm forward.

How Technology Can Help

When it comes to billing, technology needs to be able to streamline complex workflows while still allowing deep customizations for fee schedules and structures. Every firm is unique; every billing process should account for any necessary specifications advisors have agreed to with their clients and custodians. Even simple features, like the ability to visualize all of a client's fee information on a single screen, makes the billing process easier and more efficient.

Keeping Up with SEC Regulations

Since the stock market crash in 1929, financial advisors have felt the burden—and tedium—of compliance laws. From fiduciary responsibilities to the necessity of impeccable record-keeping and documentation, staying on top of constantly shifting SEC regulations can seem like its own full-time job. In fact, some advisors say they spend an average of one day per week solely on compliance issues.[6]

How This Complexity Negatively Impacts Your Business

Securing compliance procedures is non-negotiable for advisory firms, especially with the looming, inevitable possibility of an audit. The "Compliance Rule" mandates that a firm must review the adequacies of its policies and

6 "Top Compliance Headaches for Financial Advisors - Investopedia." 15 Aug. 2017, https://www.investopedia.com/articles/financial-advisors/120115/top-compliance-headaches-financial-advisors.asp.

procedures, as well as the effectiveness of their implementation, at least annually. That includes:

- Data regarding advisory fees
- Transactions that have occured in a client's account
- Investment performance
- Trading decisions made on a client's behalf

Keeping track of these areas via written policies and procedures isn't the answer, but fighting complexity with the additional complexity of a third-party outsourced solution only causes more confusion.

How Technology Can Help

Technology can't help your firm design or execute compliance policies and procedures. But what the right technology can do is enhance the effectiveness of a comprehensive compliance program by organizing and storing records, conducting routine mock audits of internal policies, scheduling recurring queries to supervise procedures, and monitoring employee trade activities, affirmations, and disclosures.

Implementing compliance technology not only eliminates outsourcing costs, but it also helps reduce the possibility of a data breach.

What Your Business Looks Like When You Simplify the Complexities

Advisors who use technology to simplify their complexities will find that they realize three main benefits:

- **They can enjoy their business again** because their time is spent on meaningful work and not busy tasks.
- **They can find flexibility and freedom** to think strategically and innovate on their ideas.
- **They can focus on growth and scale** to create an operational experience, as well as client experience, that works as well for 1,000 clients as it does for 100.

In comparison, advisors who spend their days working through one unnecessary complexity after the next, never get a foothold to advance their firm forward.

Choosing the Right Technology Partner

With the right technology partner in place, advisory firms can grow their businesses without worrying about the quality and consistency of the experience they deliver to clients.

When choosing a technology partner, follow these recommendations to make an informed choice:

- Talk to your relationship manager at your custodian to ask for their opinion on which options best suit your firm's needs
- Choose technology that fits your business approach rather than trying to reinvent your business to fit new software
- Select only software that is cloud-based and integrated with other technology you use so you can access it from anywhere and efficiently share data between systems

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About Orion Advisor Tech

Orion Advisor Tech exists to help fiduciary minded advisors realize their unique vision for success. Our innovative technology includes client experience tools, tax-intelligent rebalancing, efficient billing, integrated planning, and automated compliance monitoring, all aimed at empowering advisors to improve their firm's productivity, strengthen client relationships, and disrupt traditional ways of thinking. With more than $800+ billion in AUA and 3 million accounts on our platform, we have the experience and expertise necessary to help advisors grow and win more than their fair share. For more information, please visit www.orionadvisortech.com or follow news and insights via our blog.

Contact Us Today

to learn more about how Orion can drive efficiencies within your advisory firm so that you can enjoy your business again.

402.496.3513 | orionadvisortech.com

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