

[<Back](#) [Print](#)

November
2009

Gleanings . . .

By Chip Kispert,
Editor of The Beacon &
Managing Partner of Beacon Strategies, LLC



Petitions & Reports

I am going to break my editorial into two parts this month. In the first part, I am going to touch on the e-signature petition that the folks at Laser App have initiated. Secondly, I am going to introduce a new service that Beacon Strategies will be providing to broker-dealers starting in January. We feel that both topics addressed will provide new opportunities for broker-dealers to enhance their business strategy.

Laser App has taken the initiative and is working hard to forward the concept of true "straight-through-processing"(STP) of securities, annuities, insurance and brokerage products. An electronic signature petition, sent on November 9th to broker-dealer executives, had within two weeks obtained 110 electronic signatures from the recipients, attesting to their interest in e-signature acceptability throughout the various product carriers' lines of business. Additionally, associations like FSI and NAIBD have also gotten involved with member mailings and high-level broker dealer interest. The folks at Laser App will be sending the results to the product carriers next week.

During my discussion with Robert Powell, Marketing Director at Laser App, he shared that the team at Laser App is taking it upon themselves to educate both broker-dealers and product carriers alike. Their end goal is to facilitate the STP processing of carrier products by integrating electronic signatures, forms management, and account on-boarding. Laser App will be kicking off a series of training sessions in January that will educate broker-dealer and product carrier personnel. Topics to be covered in their sessions will be: legality and best practices. Demonstrations by vendors integrating with Laser App will be included, highlighting Laser App's philosophy of providing a platform of integration for solution providers. Additionally, Laser App will be delivering a new monthly "STP Newsletter" that will showcase the progress of the STP enhancement initiative. Included in the newsletter will be a review of carriers that have approved E-Signature, next available training sessions, number of supporters and conferences where broker-dealer and carrier executives can join the Enhanced STP movement.

The second section of this editorial is the announcement of a new service that Beacon Strategies, LLC will be providing to the broker-dealer community in 2010. Over the years we have received an increasing number of requests by our clients to provide research reports to broker-dealers. So, on a July plane ride home from Minneapolis,

on the back of a napkin, our research service was created. We are naming the service "The Beacon Reports". These reports will provide research for publication and industry distribution. Our goal for providing these reports is to provide a view across the landscape of the broker-dealers business. We will combine thought leadership and insight, varying degrees of solution provider reviews, and a consumer reports-like rating system based on hundreds of data points.

As always we are interested in providing information that is useful. We think the above is important and newsworthy and hope that you find it informative. In this month's *The Beacon* we will be focusing on portfolio management systems. We are excited that Advent, Albridge, AssetBook, Broadridge - Aspire, Black Diamond, Morningstar, and Orion have submitted content to be included in our monthly focus. We hope that this information is useful, providing a look into varying systems and giving a new perspective on some of the leaders in this segment of the industry.

As always if you have questions please reach out to us either through email or by giving us a call at 720-259-3865.

All the best,

Chip Kispert, *Editor*

[Visit The Leading Information Source for Broker-Dealers & Their Advisors](#)

Outsourcing Portfolio Management Systems

By Michael
Lobosco,
Advent
Software



In today's complex and competitive business environment investment advisors have more to balance than ever before. One of the tools that can help them find the balance between downward pressure on fees and ever-growing client expectations is outsourcing their portfolio management system and its associated operational functions. Outsourced technology solutions have advanced to the point that they are capturing renewed attention from investment firms, particularly as firms seek to control risks and costs.

Outsourcing portfolio management systems has come of age in the investment world. Until fairly recently, they were considered lacking in robustness, flexibility and accuracy, suited only to the small firms with lean operations and modest requirements. Today, however, the underlying technology and capabilities of outsourced portfolio management systems have caught up with the original promise. The most advanced outsourced solutions offer functionality that is comparable to their installed counterparts.

That is one reason many firms are taking a new and serious look at outsourcing their core systems and back office processes. For firms that are more focused on "high touch" than "high tech," delegating these duties to third-party experts enables investment managers to devote more attention to serving clients and managing assets. And it delivers the advantages of current technology while minimizing the investment in hardware, implementation, maintenance, and IT expertise.

However, not all outsourced solutions are created equal. There are some important questions to consider when evaluating outsourcing providers and their solutions. Does

the provider have the resources (and the commitment) to invest in continual product and service enhancements? Does the solution have the flexibility to adjust to changing service requirements and industry trends? Is there a clear implementation migration path to increasingly advanced versions of the system - or even to a fully installed, onsite system, should that become appropriate? Be wary of companies that talk only about their outsourcing solutions and avoid the subject of future migration. The right solution will meet your needs now without boxing you in as your needs change.

There will always be firms for whom installing a portfolio management system in-house makes the most sense based on their business requirements. However, for a growing number of firms outsourcing is an increasingly viable alternative, regardless of the economic climate. Today's best systems are capable of meeting highly customized requirements, and are backed by deep expertise in investment operations and processes. Still, there remains a wide gulf of differences in capabilities among outsourcing providers. It's important to know precisely what you're getting, and the company from whom you're getting it, before signing on the dotted line.

Advent Software offers clients:

- Solution breadth - from portfolio management and reporting, performance analytics, client relationship management, to trade order management, partnership accounting, investor management and servicing, billing and revenue management, or data management.
- Flexible deployment models - for any or all of the solutions, above - either as outsourced or on-premise software, operated and managed by you.
- Comprehensive migration options - to easily transition from one deployment model to the other, or from one Advent product to another.
- Deep best-practices knowledge - with more than 400 outsourcing clients and eight years in the outsourcing business, Advent has the experience and expertise to advise on choosing a solution, planning workflows, streamlining operations, controlling operational risk, and providing superior client service.

About the author: Michael Lobosco is Director of Advent Outsourcing Services at Advent Software. He has held numerous roles at Advent within its Professional Services, Sales, Marketing and Business Development teams. Prior to Advent, Mr. Lobosco held Director level roles at several venture-backed portfolio management outsourcing companies. He began his career in the financial services industry, working at Bankers Trust and Chase Manhattan

[Visit Advent ...](#)

Measureable Results-The Case for Portfolio Reporting and Enterprise Data Management

By Jake Rohn, Albridge Solutions, Inc., a PNC company



Today, as the economic and investing environments struggle to recover from an almost unprecedented downturn, financial institutions and advisors are looking for tools that provide transparency into client relationships, while the investors they serve seek a clearer understanding of asset performance across their household accounts. Not surprisingly, client portfolio reporting solutions are taking front and

center in the advisor-client relationship and are at the hub of the advisor-financial institution relationship.

While the debate continues over fiduciary responsibility, the lack of transparency and uniform requirements for client asset reporting is coming into greater focus across the industry and regulatory communities alike. The discussion will undoubtedly rise to a new level with federal cost basis reporting requirements set for implementation in just 12 short months. Advisors and institutions that recognize the central role portfolio reporting platforms now play will be well positioned to meet the impending cost basis requirement. They are also at the forefront of the industry-wide shift in relying on portfolio reporting and enterprise data management (EDM) solutions to power holistic wealth management platforms.

Wealth management platforms centered on an EDM approach benefit from the use of direct data feeds. The ability to ensure data integrity with proven reconciliation processes and data quality metrics is essential for accurate portfolio performance reporting. An internal Albridge analysis found that wealth management platforms using direct feeds typically encounter errors in roughly 1% to 5% of the positions to be reconciled. Additionally, the analysis showed that solutions that extend further to include dedicated data quality experts and mature operational processes and controls achieve reconciliation rates of less than 0.08%. Within financial institutions and advisory practices, the improved efficiency that results translates into less time managing and addressing data issues and more time spent addressing client needs and concentrating on business development.

The benefits realized from increased data accuracy provided by portfolio reporting and EDM solutions become even more evident in light of industry research that highlights the challenge of reporting on data across siloed systems. In a recent press report, Aite Group analyst Doug Dannemiller observed that the firm's research shows that the biggest targets for improving efficiency and advisor workflow are centered on addressing account opening and management of disparate platforms where advisers have mutual funds, annuities, fee-based platforms and true brokerage platform assets.

Beyond improved efficiency, the true value of portfolio reporting and EDM platforms can perhaps best be seen in the ability to provide advisors and investors with dynamic reporting capabilities at the household and asset levels. This, coupled with the ability to transport that data into a variety of third-party solutions that support their client relationships, provides financial advisors with a technology solution that is not only a competitive differentiator, but transforms their business by bringing wealth management services to the doorstep of clients representing virtually every investing segment. And that, ultimately, is where the true value of portfolio reporting and EDM platforms can be found for broker-dealers, advisors and clients alike.

About the author: Jake Rohn is Albridge's executive vice president of corporate development. His industry experience spans broker-dealer marketing and development, as well as strategic technology development and equity analyst responsibilities for global financial institutions.

[Visit Albridge . . .](#)

How are your clients accessing their daily account data?

By Rob
Major, CEO
Assetbook



Most advisors are sending their clients to custodial websites to view daily account values, activity, etc. The inherent problem with this is that Advisors can lose control of what their clients are seeing and doing

related to the accounts they are managing.

When visiting retail custodial sites, institutional clients are often exposed to advertisements and solicitations. In many cases, they also have the ability to trade their accounts on line, or withdrawal money without your knowledge.

So how can Advisors give their clients access to their account data without exposing them to these unwanted retail features? The solution for many Advisors is a **Client Access Portal**.

A Client Access Portal is a web-based extension of an on-line Portfolio Management System.

Many portfolio management systems allow advisors to post reports online, but a Client Access Portal also allows clients to see their household, account and positions' values each day. Some of these systems also can display activity as well as performance data. The accounts can be consolidated at the household level for multiple custodians, fund and insurance companies.

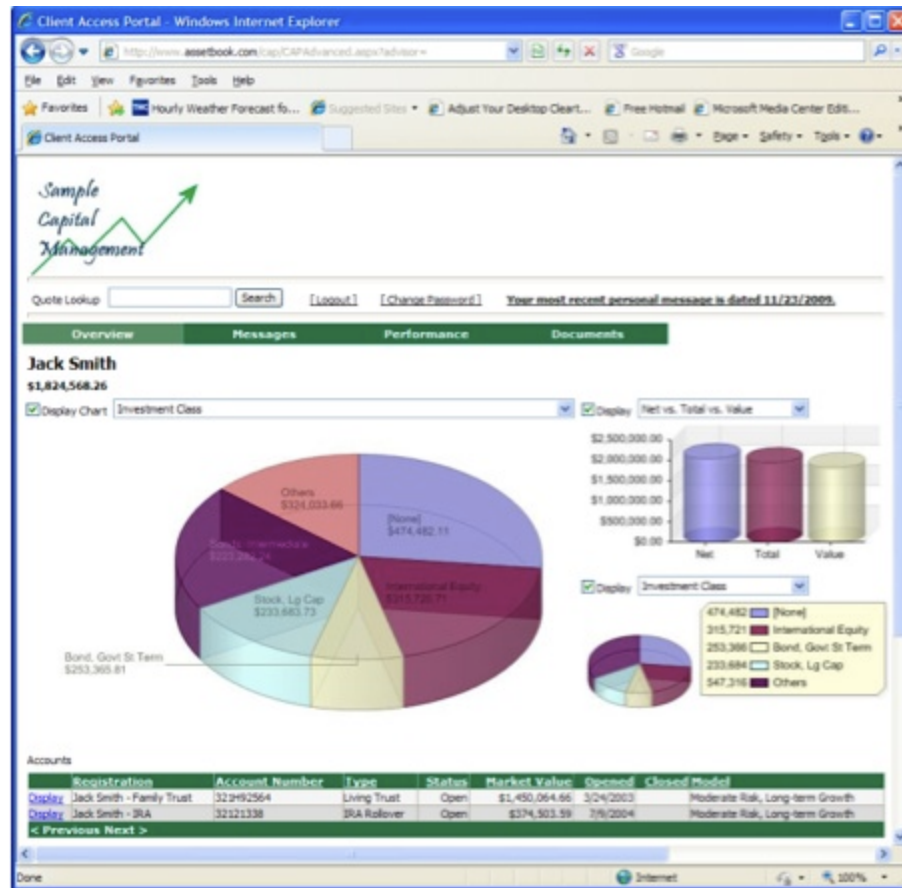
Leading online portfolio management system companies will establish a link to the Client Access Portal on the Advisory firm's website, and also brand the portal for the firm by including the firm's logo front and center on the web portal. This branding will make the clients to feel as if they are remaining under the Advisor's web and corporate environment.

What's more, in many cases Advisors can send a personal or global message to clients, as well as dynamically and securely post client reports to the portal.

For example, an Advisor is having a telephone discussion with a client about tax harvesting for the year-end. Using the reporting feature of the Client Access Portal, the Advisor can dynamically run and securely post an unrealized gain report to the portal. Then, the Advisor and client can have a more intelligent conversation.

Most Client Access Portals also give Advisors the ability to scan and post other documents such as Trusts, Wills, and other important documents. This allows the documents to be safely kept, and easily accessed by clients.

Equally important as these key features above, implementing a Client Access Portal makes sure that clients will not be subjected to unwanted solicitations. It also put the Advisor's firm ahead of the technology curve.



Advantages:

- Clients can View Accounts, Positions, Activity, and Performance
- Advisors can run Reports Dynamically to the Portal
- Store Important Documents in the Document Vault

AssetBook Delivers Advisors

- 100% Web-based
- Outsourced data administration
- Comprehensive portfolio reporting
- Client access portal

About the author: AssetBook CEO Rob Major began working on the technical side of the financial services business in 1992. He has spent his career working directly with RIA's both in-house and as a technology consultant. Rob has established himself as one of the industry experts in portfolio management software. Rob has been at the center of providing firm specific software and time-saving automation for financial advisors. Rob and his team have developed numerous systems similar to AssetBook. AssetBook is the first Software as a Service (SaaS) that Major has built for advisors.

[Visit AssetBook](#)

After the gathering: Efficient portfolio management

Andrew
Besheer,
Broadridge
Financial
Services,
Inc.



Broadridge[™]

Last month we talked about the importance of using effective planning tools as an asset-gathering strategy. This month we address what your advisors have to do after they've won the client, to retain and grow that relationship: offer efficient, effective portfolio monitoring, management, and reporting. If planning proffers a sparkling engagement ring, portfolio management represents the marriage. The better aligned and informed these functions are, and the more closely they work together with the same input and assumptions, the greater the chances of success. (Less housekeeping helps, too.)

Ideally, a planning system automatically detects and uses available custodial data -- the held-away assets compiled by an aggregation engine, as well as any direct accounts --- all as part of the planning process, without any redundant data entry. The advisor should have to key in only the exception assets not already available from their core books and records.

Then, once a prospect approves a plan, its target allocation and portfolio should "roll over" into your monitoring, rebalancing, and reporting system - again, without any redundant data entry.

This arrangement has several benefits. For new customers, the most obvious is convenience in the initial setup. But a satisfied customer is also the best prospect for added services. Advisors also may need to modify plans over time - to capture new assets, or to adjust to changes in their customers' requirements, risk profile, goals, and life events. Would your advisors like a planning system married to a monitoring and management system - one that doesn't force them to reenter known facts every time they create or adjust a plan? Count on it: they would.

And, of course, once they put a plan into effect, they need a monitoring system that both detects asset-allocation drift efficiently, and also that notifies them of other conditions requiring attention (for example, negative balances, the presence of securities in an account that are not in the target account model, or uninvested cash).

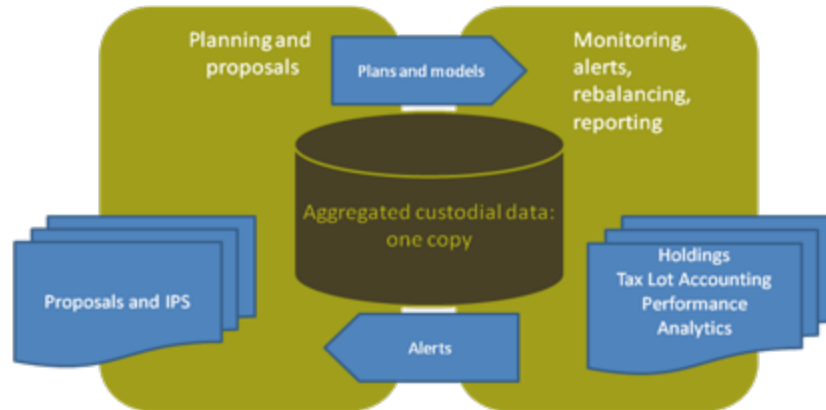
Finally, advisors need nimble, on-demand reporting: holdings, gains and losses, tax-lot tracking, and performance -- down to the day, sector, account, asset class. All from a single dataset. All on-demand. All automatic.

Broadridge's Aspire suite of integrated desktop tools offer the data convergence you need, in a package of Portfolio Management solutions sharing common data: goal-based planning, account aggregation, tax-lot-level portfolio accounting, performance reporting, and rebalancing tools.

Less time duplicating and reconciling data among disparate point solutions, however clever they may be, means more time attending to prospects and customers. Offer your advisors integrated tools, and they can use them to grow their practices - and your bottom line - more efficiently.

Broadridge's integrated Aspire desktop solutions can help. They are offered as browser-based, hosted applications and web services. You can use them together, or configure them separately. Aspire components include:

- **Wealth** - Goal-based planning, forecasting, model-based portfolio management, and rebalancing
- **Investigo** - Account aggregation from more than 1100 data sources; customer and advisor reporting
- **Portfolio Accounting** - Tax-lot accounting, compliant with the new cost basis reporting requirements
- **Performance Reporting** - Very sophisticated, economical performance reporting



Sharing common data cuts housekeeping, errors, overhead

About the author: Andrew Besheer is Vice President of Broadridge's Wealth Management Group. He is driving Broadridge's desktop tools strategy: to provide a full suite of superior-class, integrated desktop and reporting tools that reduce the front-office workload.

[Visit Broadridge ...](#)

Technology Savings and ROI in Volatile Markets

By Reed
Colley, Black
Diamond



The financial services industry is undergoing rapid change, with leadership transitioning from large legacy institutions to nimble independent firms. But with this unprecedented opportunity comes challenge. Managing growth in a more complex and volatile market environment has become a daunting task for many advisors and has put even more focus on leveraging technology to enable firms to continue to grow profitably.

For many advisors, the question isn't necessarily how to spend money on software, hardware and systems; rather it is how to use that technology to get a return on investment in terms of simplifying operational tasks, achieving efficiencies in service delivery and ultimately in lowering overhead costs.

Strategic ways to stretch technology can be seen in thinking differently about the types of solutions used and to understand the true costs of a process. Operational costs include not only the actual dollars for the software, hardware and systems, but also in the staff time it takes to run that software.

An excellent example of how this technology approach can play out in your business is in outsourced portfolio management and performance reporting. New advances and innovations in technology specifically designed for independent advisory firms to provide web-based performance reporting, reconciliation and billing is now available that allows advisors to meet these challenges head on and provide a substantial return on investment (ROI).

By outsourcing the many manual steps involved to a third-party with best-in-breed technology and a service model that is dedicated to efficiently providing these services, advisors can quickly realize a much more streamlined back-office, smaller IT infrastructure and the ability to provide performance information on a daily basis in a customized, user-friendly, graphic interface.

The bottom line result is that not only do advisors realize substantial cost savings, they are also empowered with a very robust performance reporting, reconciliation and billing capability that frees them up to pursue growth opportunities and reallocate back-office resources to revenue generating and client-facing activities.

Annual Savings from Web-Based Outsource Performance Reporting Solution vs. Traditional Software/License Based Systems

Size of Firm (AUM)	\$150M	\$500M	\$1B+
Software Solution	\$94,000	\$149,000	\$267,000
Outsource Solution	\$41,000	\$82,000	\$136,000
Savings	\$53,000 (56%)	\$67,000 (45%)	\$131,000 (49%)

Source: "A Diamond in the Rough: Technology Savings and ROI in Volatile Markets"
www.blackdiamondreporting.com/ROI.

While every advisory business is different and actual dollar and time savings will vary from firm to firm, it is clear that a web-based, outsourced performance reporting, reconciliation and billing technology solution can deliver a significant return on investment in both current savings today as well as in long-term business value tomorrow.

Black Diamond Performance Reporting provides daily, fully outsourced investment performance reporting to wealth managers and financial advisors via an industry leading internet based application. Our solution provides:

- Daily Returns
- Flexible Reporting Levels
- Ad Hoc and Batch Client Report Creation
- Composite Reporting and Maintenance
- Cost Basis Tracking and Tax Lot Entry
- Easy to use and customizable Home page
- Outside Asset Reporting
- Client Billing
- Advisor Reports
- Target Reporting
- Benchmark Tracking
- Drill Down

The Black Diamond system enables advisors and wealth managers to provide more

timely, meaningful and complete data to advisors and wealth managers allowing them to differentiate their practice, helping them "Be Great".

About the author: Reed Colley is CEO of Black Diamond Performance Reporting

[Visit Black Diamond . . .](#)

The Challenges of Portfolio Management and Morningstar's Solution

By Kartik
Srinivasan,
Morningstar



Financial advisors face myriad challenges when managing their practices, particularly when it comes to the time-consuming tasks related to portfolio management systems. They include:

Data Management: While the custodian is the record keeper of client data, in most cases, advisors cannot rely solely on the tools provided by the custodian to run their practices effectively. A portfolio management system allows an advisor to enrich custodian-provided data by importing accounts, securities, prices, and transactions. Yet tasks such as reconciliation and management of custodian data, the handling of new accounts, classifying and maintaining securities, and managing corporate actions are all frequent sources of frustration for advisors. The time spent on these tasks can be overwhelming, especially when they involve moving data to and from multiple software systems, or require the manual input of client and account information.

Therefore, it's not surprising that some advisors are opting to outsource their data management and reconciliation needs. Outsourcing can free advisors and support staff from these mundane tasks, allowing them to focus on other areas of the practice.

Report Generation: The preparation of reports for quarterly and annual client communications can be a herculean task. During reporting periods, advisors need to reconcile data, verify reports for accuracy, and deliver those reports to clients. Depending on the size of the practice and the complexity of the process, these tasks can take a few days or a few weeks, and can occupy the time of all staff members. In many cases, information is drawn from multiple systems before printing, copying, and collating the client reports. Automating the report generation process can result in significant time savings for a practice.

Client Communication: One other major challenge for advisors is creating client material that is both accurate and comprehensible to their entire client base. While no two practices are the same, it's safe to say that all advisors are communicating to a client audience that varies in its level of investment acumen. There's a need to explain portfolio performance and place it in context for every client.

Morningstar Office helps advisors address all of these challenges by streamlining the portfolio management process.

By combining multiple systems -- portfolio management, investment planning, research, and client information -- into a single, all-inclusive, Web-based platform, Morningstar Office eases the data management process. It provides tools and checks to ensure that custodian-provided information is processed accurately and efficiently,

and automatically links securities from the custodian to Morningstar's extensive database of more than 325,000 investment offerings, with auto-classification within industry sectors and asset classes. By aggregating accounts from different custodians, it allows the creation of reports that represent a client's entire net worth.

In addition, its batch reporting capability allows advisors to automate the reporting process. Morningstar Office produces PDF documents that can be delivered as printed documents, e-mailed, or made available to clients through a secure Web portal.

Finally, Morningstar Office addresses client communication needs with FINRA-reviewed reports that clearly explain the composition and performance of client portfolios. Reports feature well-known Morningstar tools such as the Style Box and the Morningstar Rating.

About the author: Kartik Srinivasan is Product Manager for Morningstar Office.

[Visit Morningstar . . .](#)

How Intelligent is Your Business?

By Eric
Clarke,
President of
Orion
Advisor
Services



One of the most important tasks advisors face is one that rarely finds its way to the top of the "ToDo" list: using business metrics as intelligence. While understanding your business metrics can make your firm significantly more productive and profitable, it is often easier said than done.

Even something as simple as measuring your firm's asset growth can be tricky. Do you know the factors most responsible for growth? Is it your firm's performance, bringing on new assets, clients making contributions, or simply a strong market? Worse yet, what if you are growing assets, but losing revenue? Especially in today's economy, using this information to make strategic decisions will help strengthen your margins.

Here are some key metric indicators you need to know about your advisory business:

- Growth Factors (new accounts, market performance, contributions)
- Attrition Factors (closed accounts, market performance, distributions)
- Staff Productivity Ratios (AUM per staff, Revenue per staff, Number of clients per staff)
- Client Productivity Ratios (AUM per client, Revenue per client, accounts per household)
- Average Account Size trends
- Net New Accounts for the period
- Net AUM for the period
- Composite Performance for the period

As you gather this information, make sure to spend enough time digging deep to analyze the data. Your first few passes will be a large undertaking, but simply gathering the data isn't the point. Your goal is to use it. Analyze these business metrics to get a clear and accurate understanding of your business trends and see how they have evolved over time.

The next step is to share the metrics with the other members of your firm. Look at the data objectively, as an outside consultant would.

- What areas can we use technology better to be more productive?
- Is our pricing strategy in line with our service model?
- Do we have relationships that are dragging down on our productivity and profitability?
- Do we need to re-evaluate any of our money management strategies?
- Are we growing our firm with the right types of clients?
- What can we do to improve the value of our firm as we look at this data?

Once you've got a handle on your internal situation, the next step is determining how you measure up against your peers. It's great if your assets and net accounts are trending up, but what if they are growing at a much slower pace than other advisors your same size? Finding an outside partner to help you rank your performance against peers is your best bet. Tracking the data on your own can be time consuming and messy due to the number of data sources you'll need to draw from.

At the end of the day, your No. 1 focus is always on your clients. Taking a little time to put the focus back on your firm can seem counter-intuitive, but benchmarking your performance in a systematic way is absolutely critical. Business metrics don't let you hide from inefficiencies in your firm - nor will they let you miss possible opportunities.

About the author: Eric Clarke is President of Omaha, NE based Orion Advisor Services, LLC. Orion is the Ultimate Portfolio Accounting Service Bureau, designed specifically for registered investment advisors

[Visit Orion . . .](#)

Editorial Calendar

Our monthly calendar and the subject matter we will cover in 2009:

- **February** - Forms Management & Account On-Boarding
- **March** - Imaging Systems
- **April** - Compliance
- **May** - Data Aggregation
- **June** - Marketing Tools
- **July** - Client Relationship Management
- **August** - Commission Processing
- **September** - Email Surveillance
- **October** - Financial Planning
- **November** - RIA Reporting
- **December** - Training
- **December II** - Best of . . .

Contact Information
email: consult@beaconstrategiesllc.com

Join our mailing list!

phone: 720-259-3865
web: <http://www.beaconstrategiesllc.com>

[Forward email](#)

 **SafeUnsubscribe®**

This email was sent to info@beaconstrategiesllc.com by consult@beaconstrategiesllc.com.
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



Beacon Strategies, LLC | 3121 Newton Street | Denver | CO | 80211