

RIA BUILDING A TECH STACK

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Over the last decade, a common theme across various trends in the wealth management industry has been the role of technology – whether as a driver of change or a solution to help advisors manage change. Technology has revolutionized the way this industry functions, from digital payments to customized service to democratizing wealth management. The Registered Investment Advisor (RIA) channel has been no exception to this changing landscape. As mentioned in our previous article, [The RIA Ecosystem](#), if firms want to remain competitive in this dynamic environment, they need to invest in technology and partner with third-party providers to provide a holistic offering and solution. RIAs have now realized that they can only benefit from engaging the surrounding rather than sustaining in a silo.

This article will focus on some of the fundamental technology solutions that RIA's have adopted in recent times and ones that add significant value to building a strong value proposition.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Firms widely use CRM to manage and monitor customer relationships and interactions, from prospecting new clients to the retention of existing clients. This is done by managing relationships effectively, efficient call logging, and automated advisor/client communications, thereby enabling firms to provide an exceptional client experience at scale.¹ CRM solutions are an integral part of the RIA business model. Implementing a good CRM system or a central customer database doesn't just help fuel growth on existing clients but also helps firms identify the right prospects for the future.

As per a 2020 technology survey, CRM systems were the most popular technology solution, with 54 percent of RIA firms utilizing a CRM solution². Additionally, approximately 57 percent of emerging RIA firms have implemented a CRM system compared to approximately 73 percent of established firms.³ It is also often seen that CRM systems show a higher adoption rate as the firm size/AUM increases, creating a need for a more comprehensive and effective relationship management system. Some of the popular vendors in the RIA CRM software provider space are Redtail, Salesforce, WealthBox and Microsoft Dynamics, to name a few.

1. <https://seekingalpha.com/article/4294300-how-to-pick-and-use-best-crm-for-your-ria>
2. <https://www.riainabox.com/blog/2020-ria-technology-survey-redtail-and-other-top-crm-providers>
3. <https://www.riainabox.com/blog/a-guide-to-ria-crm-software-for-investment-adviser-firms-of-all-sizes>

The type of provider the RIA decides to partner with depends on the firm's business and pricing model, AUM size and existing technology architecture. For example, a larger RIA may choose a more traditional, less industry-specific solution like Salesforce. In contrast, a small to mid-size RIA may prefer a more RIA-centric solution like Redtail. Depending on the number of users and integrated teams that will be using the CRM system, the firm may

choose Wealthbox or Salesforce that prices on a per-user basis, or a vendor like Redtail that has a per-database model charging at 15 users per database. If a firm is cost-conscious and at a nascent stage in its lifecycle, they may opt for Wealthbox with lower fees and a less complex set up, which also means lower training costs and a quicker learning curve.

FINANCIAL PLANNING

Financial Planning Systems (FPS) are essentially planning or modeling tools to help advisors create and implement a holistic financial plan for their clients, considering clients' overall financial situation, goals and objectives. Over the years, this process has gotten more sophisticated and transparent, with advisors wanting to show their clients the process of making financial decisions by forecasting scenarios and conducting holistic stress testing as part of their planning. This advisory lifecycle function has become increasingly popular with such growing needs, with 43 percent of RIA firms utilizing financial planning software in 2020⁴. It is also often seen that, similar to CRM, FPS shows a higher adoption rate as the firm size/AUM increases, as advisors start approaching investment management with a more holistic wealth planning mindset. Some of the FPS industry leaders include MoneyGuidePro (acquired by Envestnet in March 2019) and eMoney (acquired by Fidelity in February 2015), followed by providers like Right Capital and NaviPlan, among others. Each vendor's capabilities and functionalities differ and change as the industry progresses, and the advisor needs evolve.

The type of vendor the RIA chooses to partner with depends on the firm's client segment and business strategy. For example, if an advisor focuses on goals-based strategies (which tracks clients' overall financial goals and objectives), a suitable option may be MoneyGuidePro. In contrast, an advisor that focuses on cash flow-based strategies (which tracks client spending and cash flow generation) may go with eMoney. Automated account aggregation is another functionality that is warmly welcomed by advisors and one that most vendors offer now, as incorporating 'held-away' assets becomes the need of the hour. Along with account aggregation comes another important consideration – an effective client portal. As the target clientele gets younger and more 'digital,' advisors like communicating in real-time and showing more transparency with their advice and forecasting. Depending on the level of client sophistication, firms may also choose vendors with advanced client analytics capabilities or more user-friendly portals where clients can directly update data and patterns or model scenarios to see the results themselves. Having an informative and intuitive user interface provides firms (irrespective of size) an easy platform to offer a professional and sophisticated client experience.

4. <https://www.riainabox.com/blog/2020-ria-technology-survey-emonet-moneyguidepro-and-other-top-financial-planning-software-providers>

ADVISOR TECHNOLOGY PLATFORMS

Advisor technology platforms play an important role within the advisory model and can be considered the firm's technology ecosystem's epicenter. Traditionally, these capabilities were included as part of the custodian's core technology offering, and there was limited flexibility for firms to customize. More recently, technology vendors have introduced capabilities that support the end-to-end (E2E) advisory life cycle and are a drastic upgrade from the traditional infrastructure that custodians provided. Competition in this segment has increased rapidly in the last few years, resulting in extreme innovation and creativity. New features are being released on demand, and advisor adoption rates are rising as the business grows. Two such popular functionalities, which we will cover below, are portfolio management and client reporting solutions.

Portfolio Management

Portfolio management refers to the process of portfolio construction, portfolio accounting and portfolio rebalancing. RIAs must have a portfolio management solution that is flexible and reliable to support their core investment strategies. Vendors have made this process highly customizable with complex functionalities like rebalancing across multiple portfolios or applying drift tolerance parameters systematically based on inputted client risk tolerance levels. Depending on the platform's sophistication, such customizations can also directly feed into trading systems that allow the advisor to place trades with ease and auto submit to the custodian for execution. As an example, one of the most popular providers in this space, Orion Advisor, has a trading application called Eclipse which allows advisors to

rebalance at a household-level, drastically reducing the number of trades and amount of effort needed to rebalance across multiple accounts. Their straight-through processing feature also sends trading orders directly to the custodian for execution, with no manual intervention required⁵.

Client Reporting

Client reporting covers account and performance reporting for clients. As client demographics change and the need for transparency increases, clients are demanding personalized reports that show individual and aggregated account information, historic and projected performance, benchmarked performance, and a breakdown of overall risk in their portfolio. To cater to such demands, various vendors have automated the client reporting functionality where advisors can customize reports as per client requirements. For example, Orion Advisor has created a 'Report Builder' that is an application for advisors to create personalized client reports by simply dragging and dropping widgets, adding dynamic tags to tables, and creating various data analytics like customized pie charts or bar graphs⁶. Additionally, as clients diversify their holdings across numerous financial institutions, accurate and efficient data aggregation becomes a must for these reports. One of the popular vendors in this space is Addepar, whose platform provides consolidated reporting, including account aggregation regardless of asset class or currency, various data analytics, report customization, and pre-built integrations with partner technology platforms⁷. Such comprehensive solutions help advisors show extreme professionalism and help them personalize client experience in an efficient and scalable way.

5. <https://www2.orionadvisor.com/eclipse-trading>

6. <https://orionadvisor.tech.com/blog/report-builder-features/>

7. <https://www.addepar.com/ria>

THE FUTURE...

As the RIA industry grows, such technology solutions can offer significant benefits. They help make firm processes more efficient and eliminate manual effort, thereby allowing advisors to do what they do best – manage existing relationships and prospect new ones. Additionally, by utilizing new-age and user-friendly technology, advisors can attract and retain younger, tech-savvy clients who prefer a simplified and unified digital experience and

reduce geographical barriers for conducting and growing their business. RIAs have been increasing their technology budget extensively over the last few years to help meet this goal. They are also heavily investing in upgrading and collaborating with vendor platforms, recognizing that partnering with the right vendors and building a sustainable ecosystem complementing their business model is the need of the future.

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