

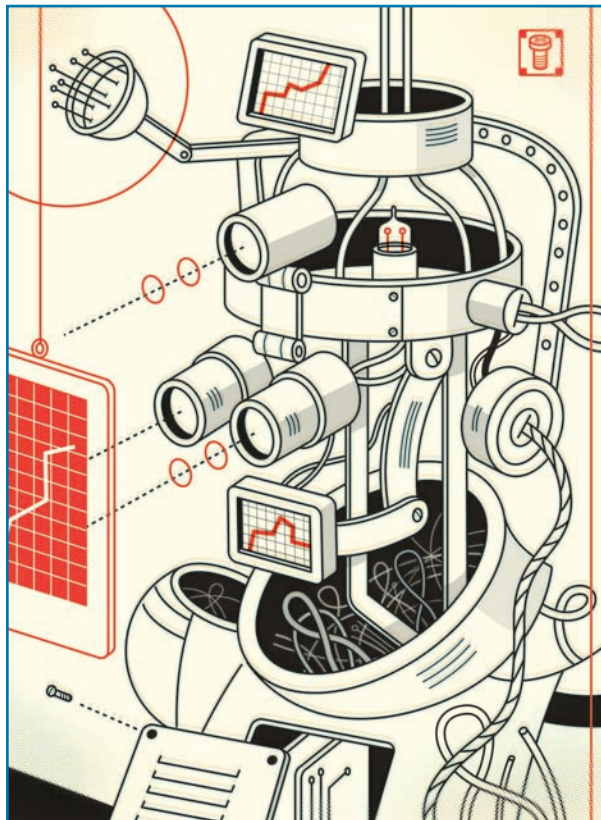
# FINANCIAL PLANNING

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**SPECIAL REPORT: PRACTICE MANAGEMENT**

## TECH TOOLS FOR A TOUGH ECONOMY



Hard times demand that you make your practice smarter, faster and more efficient. Your custodian or broker-dealer may have the software you need to do the job, and at the right price—free, or close to it. By Joel P. Bruckenstein

Compliments of

**TD AMERITRADE**  
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This is shaping up to be the most challenging year for financial planning practices in a generation. The credit crisis of 2008 and the resulting bear market have caused assets under management, and hence fees, to contract. At the same time, demands on the typical advisory firm have never been greater. During times of financial stress, advisors must devote additional time to communicating with clients. New economic realities mean that existing retirement plans, estate plans and tax strategies must also be reevaluated. In short, unless your firm adapts rapidly to the new environment, you will find yourself working much harder and earning much less.

There is a silver lining to this cloudy forecast, however. Those firms that rise to the challenge and improve operationally will be rewarded with new business. Of course, bringing on new clients now will stretch advisors' capacity and operational infrastructure even further—but those who manage to adapt to the new environment and do more with less will prosper for years to come.

So how will you stretch to meet these new demands without significantly increasing overhead? Traditionally, when advisory firms need additional capacity, they hire additional staff. But during lean times, before looking to add staff, it makes sense to examine existing processes and technologies in order to make sure you're getting as much as you can from your current infrastructure. My experience as a practice management and technology consultant suggests that most firms are not taking advantage of tools that are already at their disposal. Discussions I've had with other consultants confirm that they, too, see many overlooked opportunities for advisors to create operational efficiencies at little if any additional cost.

While advisors can mine numerous areas for overlooked opportunities, there is one asset that almost every advisor has at their disposal, but that way too few take full advantage of: the free and/or discounted tools that custodians and independent broker-dealers make available to their advisors. Since no one knows more about the tools and their benefits than the firms themselves, I recently asked representatives of some industry leaders to highlight tools their firms offer that can help advisors practice more efficiently in 2009. Where applicable, I also asked them to highlight tools they offered that were underutilized by advisors. Here's what they said.

### CUSTODIANS

**Fidelity:** Fidelity offers a wide range of practice management tools to advisors, says company spokesperson Stephen Austin. PracticeMark, an online turnkey program, provides a low-cost solution for all the advisor's marketing needs. Through PracticeMark, advisors can order customized collateral, newsletters and online ads. They also have access to a dedicated support team. In addition, the site offers online worksheets that guide the advisor through the creation of a marketing plan. Online tutorials and referral programs round out the offering.

Fidelity Institutional Wealth Services (FIWS) Marketing Consulting provides industry and marketing best practices. Consultants can supply expertise and coordinate projects with their party suppliers. The Third Party Vendor Referral Program helps advisors connect with vendors who have experience serving the advisor community. These vendors

offer substantial, exclusive discounts to Fidelity advisors.

PracticePerks, an exclusive website for Fidelity advisors offers discounts on a wide range of products and services. Here, advisors can find discounts on business services, hardware, software, travel and much more. One online software tool offered through Fidelity is the Retirement Income Evaluator. The year-old tool helps you project a client's likelihood of reaching his or her retirement income goals, with Monte Carlo simulations and the ability to print results. Advisors can use it to capture a more complete picture of their clients' portfolios, including assets that are held away.

In addition, advisors can build a more comprehensive plan for the client and potentially grow their businesses through asset consolidation. According to Fidelity research, 77% of investors who built a retirement income plan with an advisor indicated they would be willing to move all of their assets to one advisor—and 95% said they would refer someone to the advisor. Additionally, among those same clients, advisors have realized a 50% increase in "very satisfied" clients.

**Schwab:** "We certainly hope the markets will bounce back soon," says Dan Skiles, vice president of client technology consulting at Schwab Institutional, "but we don't think advisors should be planning on it. Based upon the conversations we are having with advisors, I think most advisory firms understand this." Before the credit crunch, advisors contemplated as many as six or seven technology initiatives at a time, Skiles says. Now firms are looking to his group to help them identify the one or two tech investments that will give them the most bang for their buck.

Right now, Skiles thinks many advisors can benefit from the Schwab Institutional Portfolio Rebalancer. "This tool allows firms to automate the rebalancing process and scale for future growth," he says. Portfolio Rebalancer, which integrates with the Schwab Institutional website trading tools at no cost, allows firms to rebalance clients' portfolios, including equities, mutual funds, ETFs, fixed income and cash, using real-time prices on positions. Households, for rebalancing purposes, can be defined by the advisor who can then select batches of accounts, single accounts or households to rebalance.

In order to facilitate automation, advisors can construct and maintain models for securities-based and target-allocation-based portfolios. Once portfolios are associated with a model, they can all be rebalanced to that model rapidly with a minimal amount of effort through a web trading applet.

Skiles concedes that there are more sophisticated rebalancing tools available, but he argues that for those unwilling to spend on such a product, the free Schwab Rebalancer offers real benefits. If a firm were simply to link all their smaller accounts to a model and then batch rebalance, the firm would save a great deal of time and complete the task with a higher degree of accuracy.

Advisors who custody with Schwab and want to keep track of how well they're using its technology products can give themselves a quick checkup with Schwab's Technology Adoption Scorecard, which tracks usage of critical online account services, including opening new accounts, trading and cashing in. It can also track how the advisors' clients use certain Schwab technologies, such as electronic statements and

electronic confirms. Advisors can benchmark their technological performance over time, and compare it with the performance of the total population of Schwab advisor clients.

The Scorecard has proved that by making better use of available technologies, and by adapting more efficiency tools over time, firms really can improve their performance. For example, according to Skiles, roughly 50% of money movements (transfers, wire requests, check requests, etc.) are now completed online, where they can be processed faster and more efficiently versus virtually none a few years ago. Currently, Schwab Institutional is opening about 25% to 30% of new accounts online, and that number has been rising steadily over the past 12 months. Armed with this information, each firm can benchmark its progress toward more efficiently handling these tasks. If it is still using more labor-intensive processes, it can move to more automated, streamlined alternatives. Armed with its scores, the firm can commit to improving its efficiency over time.

Finally, Skiles highlighted Schwab's Portfolio Services. Many firms can benefit by outsourcing portfolio management and reporting, he says, and Schwab Performance Technologies offers these services at competitive prices. One little-known improvement at Portfolio Services is the ability to pick up cost basis data automatically through the ACAT system, if available. So, if a new account hosted on the system transfers in today, and the data is available, Portfolio Services can automatically capture it, saving a great deal of time and effort on the part of the advisor, who would otherwise have to obtain the data elsewhere.

**TD AMERITRADE:** Late last year, TD AMERITRADE Institutional launched Roadmap, powered by ActiFi. This innovative online planning tool is designed to help advisors translate their business goals into well-defined, executable tasks. Roadmap, designed to be used by an advisory firm in conjunction with a TD AMERITRADE Institutional Solutions consultant, allows the advisor to identify one of seven high-level goals (expertise, growth, profit, reduce risk, satisfaction, time or value) and then build a plan to address that goal.

For example, say an advisor wants to improve expertise, the software will offer three mid-level goals (improve client expertise, become a media expert, wealth management expertise). If the advisor chooses media expert, the program suggests three courses of action: create marketing materials, create targeted media list and develop presentation schedule. Once the advisor selects from this list, the program prompts him or her to set a date for completion, and, perhaps to assign the task to someone else within the firm. Next, the program suggests specific action steps, or allows the advisor to create his or her own plan for meeting the goal.

George Tamer, director of institutional sales at TD AMERITRADE, says the real power of Roadmap is that it combines technology with a consultant. The combination helps advisors formulate plans and then ensures follow-up to help keep the plans on track.

In future releases, TD AMERITRADE plans to add benchmarking tools, so advisors can compare themselves with other TD AMERITRADE advisors as well as the broader

advisor population. They also plan to introduce an ROI calculator, so advisors can compare multiple Roadmaps to determine which one offers the best payback. According to Tamer, the initial response to Roadmap has been excellent, and the improvements TD AMERITRADE plans to add should further enhance the value of this cutting-edge tool. We agree. Of all the tools we previewed for this story, Roadmap was the most impressive of all.

Like Schwab, TD AMERITRADE offers a free rebalancing tool, the TD AMERITRADE Portfolio Rebalancing solution. In fact, since both the Schwab and TD AMERITRADE tools were developed by Advisor Software (ASI), the two products are very similar in appearance and functionality. The TD AMERITRADE rebalancer can work at the individual account or household level and rebalance to model portfolios or asset-class targets. Advisors can set tolerance bands, cash buffers and security restrictions to customize their rebalancing process. In addition, the tool can help advisors analyze current and proposed portfolios using diagnostic features such as Monte Carlo simulations, efficient frontier charts and style/sector analyses.

For larger firms that require a more sophisticated tool, TD AMERITRADE offers iRebal, which it calls "the intelligent rebalancer." An iRebal installation can easily run to \$50,000 or more, but firms who use it believe it pays for itself many times over in reduced labor costs. In addition, iRebal can improve rebalancing execution and trade order management. Firms that custody assets at TD AMERITRADE may be eligible for substantial discounts on iRebal, depending upon the size of the custodial relationship.

## **INDEPENDENT BROKER-DEALERS**

**Commonwealth:** "Many of our advisors have told us that they need to be better at running their practices as businesses," says Joni Youngwirth, managing principal, practice management at Commonwealth Financial Network. In response, Commonwealth has created a spreadsheet that helps advisors calculate and track key business ratios. The spreadsheet includes calculations for profitability ratios such as gross profit margin, operating profit margin and overhead expense ratio. The spreadsheet will also calculate productivity ratios, including return on labor, operating profit per household, average revenue per household, average number of households per staff member, average AUM per producing advisor, average revenue per producing advisor and many more. Armed with these ratios, advisors can make better business decisions.

Commonwealth also sees an opportunity to help advisors extend their core applications beyond the desktop. "We already offer connectivity to web-enabled handheld devices," says Darren Tedesco, director of business systems and strategic development, "but we think the iPhone holds great promise. It offers a better user experience." Commonwealth is developing its own proprietary iPhone application, which should be ready later this year. This application will allow advisors to access much of the data they now access on their desktop through a single log-on using the iPhone.

**LPL:** "Our business model capitalizes on scale to deliver operational efficiencies to our advisors," says Sal Zambito,

senior vice president of business development with LPL Financial Independent Advisor Services. “This allows the advisor to focus on the relationship.” As a result, he says, LPL advisors gross more and take home more.

With regard to operational efficiencies, Zambito cited three themes: serving clients, running more efficient practices and obtaining new business. One example of a client servicing tool is Operation Handhold. When the market began to tank in the fourth quarter of 2008, LPL advisors needed to communicate frequently with clients in order to inform and reassure. To help, LPL created an online library of client approved materials that gave their advisors up-to-the-minute information on the markets. The advisors could download this material and use it to communicate with clients.

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One way LPL helps advisors attract new business is through their Marketing on Demand program. This turnkey program allows advisors to create preapproved letters, brochures, advertisements and other marketing materials that can be customized online. Once the materials are created, the advisor can order the materials for prompt delivery.

**Securities America:** “The two biggest challenges facing our advisors in 2009 are operating more efficiently and capturing more assets,” says Dennis King, CFP, senior vice president of business development and fee-based sales at Securities America. “We’ve just released enhancements to our NextPhase Retirement Income Distribution System that addresses both of these challenges.” According to King, NextPhase Retirement Income Distribution System merges two existing Securities America tools, Managed Opportunities (powered by EnvestNet) and Income for Life (powered by Wealth2K) into a single comprehensive turnkey solution.

Managed Opportunities is Securities America’s popular TAMP program; it gives reps access to separately managed accounts and a mutual fund wrap program. Income for Life is a strategy and proposal system that segments a client’s retirement years, and assigns different investment strategies

to each segment. So, for example, assets dedicated to funding the first five years of retirement might be invested in safe, low-return assets, while assets earmarked for 30 years later might be invested more aggressively for growth and inflation protection.

According to King, many users of Income for Life are already using the Managed Opportunities platform to deploy client assets. Combining the two into a single offering allows the advisor to “build an income plan, implement the plan and manage the assets in a highly efficient manner,” he says. For example, when an advisor creates an income plan on the new combined platform, the software can be set to suggest choices within the Managed Opportunities program to meet a client’s needs within every time segment. Assuming that the advisor approves the choices, executing the plan becomes very fast and efficient.

With this new, unified system, it will be much easier for advisors to check on each client’s progress and report periodically. This improvement will encourage more advisor-client interaction, which should help improve retention and attract additional assets. Furthermore, by allowing the advisor to create plans more efficiently, the platform frees up additional time that the advisor can use to further build the business.

The other tool King highlighted was the ROI (Reliability of Income) Profile. This tool is designed to help advisors with initial client conversations. It creates a way to measure two important issues: The value a client places on a guaranteed income stream—called the “guarantee factor”—and a client’s sensitivity to volatility in his portfolio, called the “volatility factor.” The tool should help advisors come to a better understanding of a client’s preferences and concerns, so he or she can offer an income solution that will meet the client’s emotional and financial needs.

With advisors’ margins under pressure, every dollar counts. To operate efficiently, firms must continue to invest in technologies that can improve productivity and provide a good return on investment. Before shelling out cash, however, advisors would be well advised to see what, if anything, their custodians and broker-dealers offer. As the examples above indicate, all the major custodians and B-Ds offer technology and practice management tools that are capable of delivering positive results at little to no cost. When times are tough, as they are now, that’s a winning proposition! **FP**

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