Best the competition with the right tech stack

As the next generation of investors and advisers start to make waves in the world of finance, their expectations around the use of technology are forcing a moment of reckoning for wealth management firms: whether and exactly how to adopt digital solutions that streamline and automate onboarding, compliance and other investment-related processes.

While the pandemic forced some tech holdouts to adopt solutions that made it easier to interact and transact remotely — for instance, the increasing use of digital signature applications like DocuSign over the last few years — those efficiencies were often applied in piecemeal fashion and rashly made in reaction to long periods of heightened uncertainty.

With the health emergency less urgent, and financial market participants becoming more tech-savvy by the day, now is the time for broker-dealer and RIA firms to proactively prioritize technology integration and digital automation of core capabilities — and to do so in a forward-looking fashion.

The longer firms delay developing a technology strategy, the more likely they'll freeze in the face of being peppered with adviser requests for individual fixes and will fail to develop a more well-thought-out, cohesive platform. Meanwhile, many of the most successful firms on the block — those that engage in endless discovery and due diligence when it comes to technology — have already not only tested and fine-tuned their tech thesis, but implemented it at the enterprise level. These early adopters will continue to leave holdouts in the dust, underscoring the urgency of the moment for those still considering their options.

Financial professionals who embrace technology say it not only saves them and their clients time and money, but that it also makes firms' workflows easier to follow. Advisers also say that having tech solutions at their fingertips keeps them in sync with their clients' digital-first expectations. And as older advisers leave the business, young advisers entering the workforce are expecting technology to be at the center of their future relationships with clients.

Taking a thoughtful and strategic approach to building your tech stack will attract new business, lock in existing clients, and help build the foundation of your firm's future. There are many factors at play to consider when building out your tech stack.

Unraveling patchwork adoption

Firms are now only beginning to embrace technologies that enhance both client-centric activities and operational efficiencies, and they are becoming more certain that digital tools can capture the greatest return on investment. But moving beyond patchwork adoption requires a better understanding of how technology is valued among the different players in the investment process, from the home office and various departments down to advisers and the investors themselves.

Retain and attract new advisers

The Great Resignation of 2021 spared few industries, with financial advisers representing a sizable chunk of the workforce exodus. Burnout and early retirement were often cited as reasons for leaving, but there were many advisers who decided to strike out on their own or simply switch firms. And when they did, they likely took their technology preferences with them.

The quick tech fixes that firms often make end up creating friction with advisers in the long run. And when technology use isn't prioritized at a firm, advisers likewise bristle at having to repeatedly phone the home office for help remembering the different processes, paperwork, and other requirements for each and every product — for both new and existing clients.

For example, when it comes to alternative investment transactions, lacking a proper technology solution can be complete chaos. Alts transactions are typically paper- or fillable-PDF-based, and lack a standardized workflow. Ask three different people at the same firm how they go about submitting an opportunity zone transaction and you're sure to get three different answers. But ask three people how to complete that same transaction on an electronic subscription processing technology platform like Altigo, and you're more likely to get the same basic instructions from each. Technology solutions standardize workflows, which softens the learning curve, avoids confusion, and makes onboarding and processing transactions much easier, and it can go a long way to improving adviser morale and limiting burnout.

Firms that build technology and automation around their core capabilities — and seek to mitigate areas of friction through technology — will attract and retain the next generation of advisers, while giving them a leg up as they compete with industry giants.

Retain and attract new clients

Working with advisers is a unique and interpersonal way of managing one's money. Advisers create plans and build relationships with investors, acting as a coach to keep clients aligned with their financial goals. Many of today's investors are millennials in the prime of their earning years, who may soon inherit family wealth — and a tech-enabled experience is their minimum expectation.

Adopting technology that helps advisers communicate with investors and answer their questions more efficiently can give broker-dealer and RIA firms the edge they need to attract new clients. The next generation of investors expects to be able to access their financial plan online whenever they like in order to more easily retrieve statements and make edits to their plan. This, of course, makes it easier for advisers to schedule meetings and be more informed of their clients' life changes.

More efficient communication with clients is especially important during times of market uncertainty. The longer uncertainty lingers, the more advisers need to show up for their clients, set expectations, and educate a younger and ever-expanding retail investor client base. Millennials may not have realized their full earning potential yet, but they will in the near future, and firms should start thinking of ways to win them over now. Understanding how millennials' interests and ethics drive their investment choices would be a good first step in that direction.

How to vet your tech stack

Once a firm decides it's done implementing quick fixes and dealing with the headaches that come with managing endless contracts and vendor relationships — not to mention the lopsided adoption that comes with piecemeal tech implementation — the next step is to ask some key questions about your firm and its top-of-mind goals:

- What kind of firm does your firm want to be?
- What type of adviser do you want to attract?
- How would you describe the ideal client that your firm intends to serve?

For instance, if your firm has an active alternative investments business but still processes alts manually, you might want to consider new electronic processing technology that digitizes investments, removes paperwork hassles, and provides a simple, electronic signing experience for clients. Or, if alts are not a focus but cause a disproportionate amount of headaches, then investing in straight-through processing technology can help free up staff to do more valuable work in other areas rather than endlessly shuffling paper around.

Firms need to have a clear vision of what they want their technology to achieve, and each piece needs to work in concert with the others. These pieces could also include client onboarding software; digital portfolio management systems (for account rebalancing, automated billing, and reporting tools to measure and present clients' investment performance); financial planning software (to collect or input client data and project their financial future); and a customer relationship management system (to organize clients and prospects along with their every interaction with the company).

Once you've aligned your tech stack around your firm's goals, consider creating key performance indicators (KPIs) around what progress should look like on both a macro and micro level. Macro KPIs could represent the goals you set for recruiting and retaining new advisers and clients. On the other end of the scale, explore what progress looks like at the departmental level. Reach out to each team within your organization to find out what their needs are and choose solutions that will ensure across-the-board adoption.

The next step is to explore what implementing technology might look like at the enterprise level. It's important to ensure that your chosen tech solutions integrate into your firm's adviser portal through single sign on and can "talk to" each other. This is important because no one wants to log into multiple systems, and you don't want to enter data into one system only to find out you have to re-key it somewhere else again later.

Before your firm rolls out its tech stack, consider creating an internal pilot program. There are bound to be a few tech-savvy and enthusiastic advisers at your firm who would jump at the opportunity to use a new tool. Providing these advisers with the technology early, before it rolls out to the entire company, helps work out the kinks with less risk.

After your new tech stack has officially debuted firm-wide, consider collecting ongoing feedback. Keeping track of the effectiveness of a new technology tool can help you establish whether or not it was a good investment, informing your choices in the future.

Firms that stick with paper processes or outdated homegrown technology solutions might do so because they believe the money they lose on tried-and-true ways of doing business might cost them less in the short term, versus the cost of acquiring, training and supervising staff on new technology. But being proactive about building your firm's tech stack can save firms time and money in the long term, and build a foundation for the future that keeps advisers and clients fulfilled.

ALTERNATIVE INVESTMENTS IN GOOD ORDER

Altigo is a leading electronic subscription and straight-through processing platform for retail alternative investments. Altigo was launched in 2019 to make purchasing and owning alternative investments as easy as mutual funds. The Altigo platform serves a network of 100+ alternative investment asset managers and over 200 broker-dealer and RIA firms, which have completed more than $2.5 billion in alternative investments across 10K+ subscriptions.

CORPORATE CONTACT

Visit us at www.altigo.com
or call 866.603.4115 to learn more.

Contributor

Bill Robbins, CEO, brings more than 25 years of experience in growing brokerage platforms and provides strategic oversight and leadership at WealthForge and Altigo. Prior to joining WealthForge in 2015, he served as president of BB&T Securities Services, leading teams that supported the firm's brokerage platform and operations.

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