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THE PRACTICE:

Software helps firms monitor advice on planning. Firms have long been able to monitor how advisers invest client money. But technology now enables the higher-ups to much better track adviser performance in other areas, such as financial planning, Bob Veres says. [Writing in Advisor Perspectives](#), he looks at how one firm, Mercer Global Advisors, uses a software called InStream to see how diligent its advisers are in drawing up plans for clients, and to track those clients' savings and spending rates, among other things.

And here is the entire article referenced above. This article is from "Advisor Perspectives" an industry publication...

The Tool that Will Transform Firmwide Financial Planning

October 21, 2014

by Bob Veres

Alex Murguia, founder and CEO of InStream Solutions, may be the most creative visionary in today's advisor software ecosystem. And like all people who think outside the box, sometimes he discovers that his best ideas have far better uses than he intended.

InStream is best described as a financial planning tool. It performs the usual retirement-sufficiency calculations and Monte Carlo projections. It offers such creative add-ons as Social Security planning, automatic creation of mindmaps that organize a client's entire financial situation in graphical format, and, more recently, incorporation of Dr. Wade Pfau's "safe-savings rate" calculations, which make planning advice more relevant to Gen X/Y clients in their early accumulation years. There are customizable alerts that proactively warn an advisor if a client's situation is breaching any of a variety of thresholds, such as retirement sufficiency outside the safe zone, moving below the safe-savings rate or having a mortgage which, at current rates (automatically pulled down from the Internet

every day), could profitably be refinanced.

But another feature, which Murguia was initially excited about, was ignored by the smaller advisory firms who were among the first InStream users. “We collected all the recommendations made by all the advisors to all the clients in the system, anonymously, of course, and aggregated them for all of our users,” he explains. “We thought it would be incredibly valuable to be able to compare your recommendations in a particular client situation with all the other recommendations. The idea was to evolve a best-practices engine across the profession. But people just weren’t using it.”

Rescued from the dustbin

Murguia was thinking about dropping the feature and focusing on some of his other ideas. And then he demonstrated InStream to a large potential buyer: Ralph Ujano, Senior VP of Wealth Management at Mercer Global Advisors.

At the time, Mercer was beginning to face a challenge that is entirely new to the mainstream planning profession, but which is a well-known headache in boardrooms of wirehouse organizations. “Consistency of advice is very important to us,” says Ujano, “especially at the rate we’ve been growing.”

But how do you impose and monitor any financial planning consistency when you have, as Mercer does, advisors working in offices in Philadelphia, Washington, DC, Columbus, OH, Detroit, Chicago, Sarasota, FL, Atlanta, Houston, Dallas, Omaha, Boulder, Scottsdale, San Diego, Newport Beach, Los Angeles, Santa Barbara and San Francisco? The firm now works with 4,500 clients, collects in excess of \$50 million in annual revenue, and its 45 planning professionals are conveying literally thousands of independent advice-related judgments in conference rooms in all corners of the country.

“On the investment side, we can monitor and maintain consistency quite easily,” says Ujano. “We have a core set of strategies that are monitored daily, and the profession has a lot of portfolio management tools that make it possible for us to know that we’re giving pretty darned consistent investment advice. But,” he says, “there isn’t anything comparable to help us be consistent in how we’re framing and providing that advice. When I first saw InStream, I told them that didn’t have a way to track whether every client was receiving a personalized, customized plan. They showed me what they were doing, and said: We haven’t really articulated it this way, but that’s

exactly what we're building."

"It's very easy, because the technology has been there over time," adds Murguia, "to create model portfolios and have bands within the asset allocation, and standardize the portfolio management experience for clients and monitor outliers and notify you if something is off track that needs to be rebalanced."

"But what we realized when we were talking with Mercer, on the planning side, is it completely wild west," he says. "You have to trust, blindly, in the competence of your advisors. When these larger firms bring in a lot of new planners, how do they know what they're actually doing in their plans? Are they all competent? Are they moving off the reservation in their recommendations?"

The broader insight, which emerged from a software feature that was almost discarded for lack of use, is that a growing number of ambitiously growing advisory firms are moving past a threshold where their advisory team has a chance to informally look over everybody else's shoulder. They are starting to encounter the same challenges the brokerage firms have faced for years.

And now, for the first time, they have a tool which will address the problem.

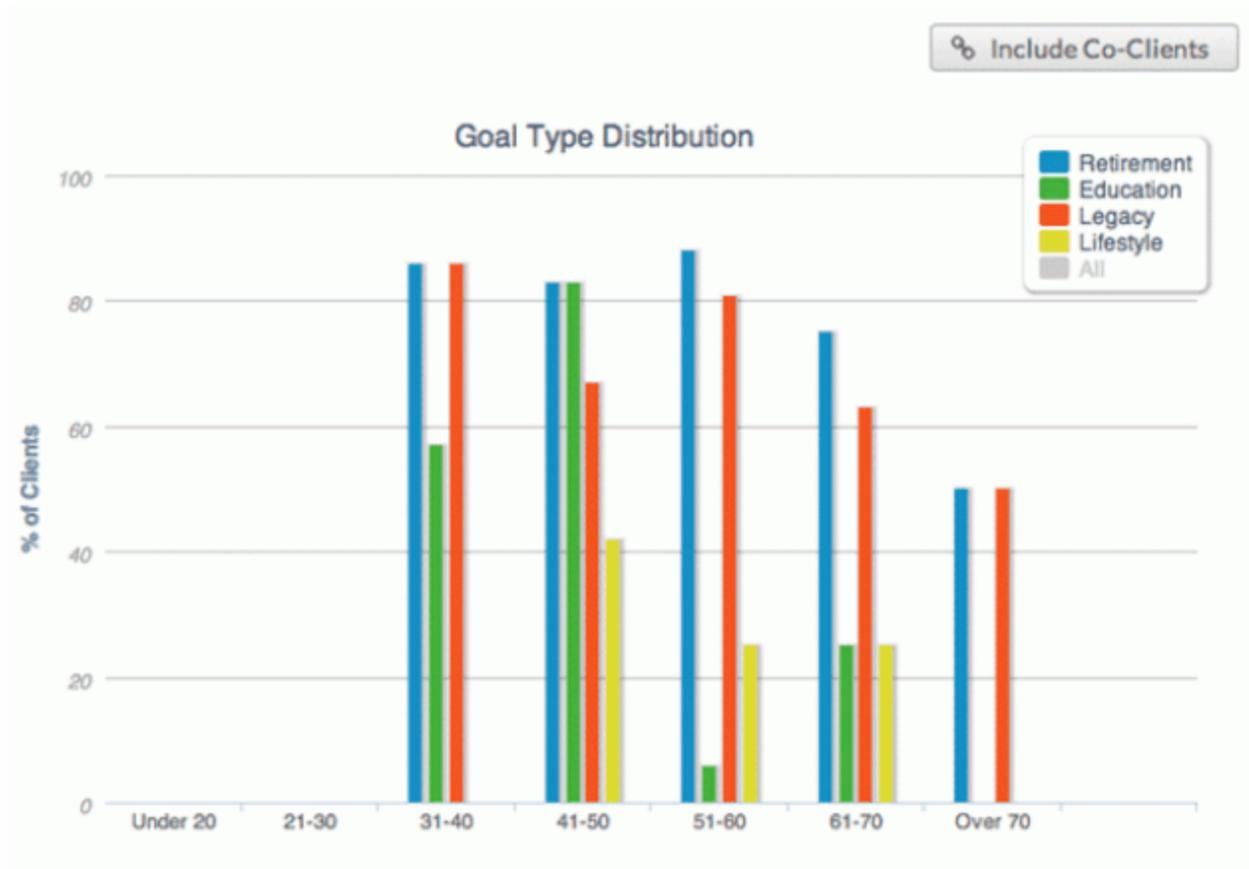
Monitoring adoption and results across a large firm

Ujano is now a power user of InStream, but not for its planning features. "Firmwide, we're currently onboarding 25-40 new clients in any given month," he says. "At the first level, I'm getting reports that tell me which advisors are using the software platform and, for each of them, how many of their clients are receiving financial plans, and how quickly and comprehensively that tends to happen. I can also check how often they're updating the plans."

That allows him, from his office in Scottsdale, to pick up the phone and call an advisor in Georgia and note that, on average, a certain number of clients are being input into the planning system. "I can say: You're at half that number," says Ujano. "Tell me what's going on."

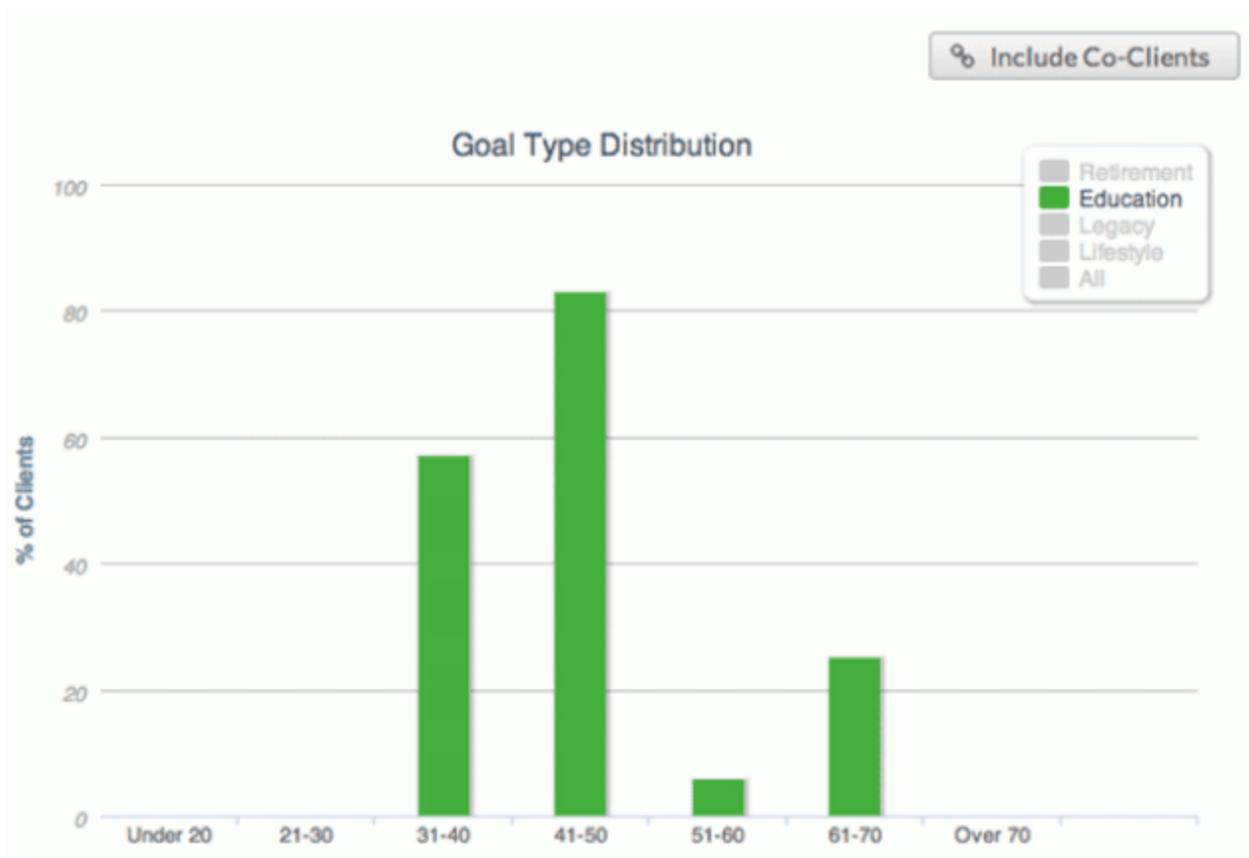
He is in the early stages of looking at trends. How consistently are advisors using the Social Security portion of the platform? This can be broken down by client age or net worth. How often are they using the safe-savings rate feature, and is it being done with clients of appropriate age? InStream lets the home office, or an on-site manager, sort on one type of goal-based planning that advisors are offering, like the education planning, broken down by age. The

output, currently, looks like this:



In this example that the heaviest use of college planning takes place when clients are in their 30s and 40s, when they have children approaching adulthood, and the planning picks up again when clients are in their 60s, presumably because they're now providing financial help to college-age grandchildren.

If you want to take a broader look at a variety of different planning activities, again associated with client ages, again for an office, a single advisor or across the entire firm, the report would look like this:



InStream can customize these reports by sorting the underlying data however an advisory firm needs to look at it. Meanwhile, Ujano is thinking about how to use the alerts functionality to achieve more firmwide planning consistency.

“We can set safe zones in the Monte Carlo analysis across all of our offices,” he says, citing a simple example, “and our advisors will get an alert if that threshold is breached, which helps them stay on top of client situations. We’re talking about setting up firmwide alerts on things like: are they hitting their savings targets each year? And,” he adds, “from an administrative standpoint, we can see which advisors are on top of these things and addressing them immediately. Getting the right advice out there the first time is really important--and we have to make sure our folks have a clear pathway to do that.”

Of course, the system will also provide broader metrics, like AUM numbers for each advisor and an average level for the firm and each region, number of clients served per advisor and region, number of

new clients and trends in any of these areas. And it can lead to marketing campaigns, actually giving substance to the often-empty concept of “big data.”

“We had a firm that looked at the education planning they were doing,” says Murguia, “and they discovered what you see in the chart: that folks were focused on it in their 40s and 50s, and then it went dormant. Then it popped up again among cohorts that are in their 70s and 80s. They realized that this was really an important issue to their older clients, funding the education of their grandkids. It led them do an educational campaign around that with their older clients, talking about 529 plans. From an enterprise perspective,” Murguia adds, “that kind of business intelligence on trends and best practices is giving them valuable management information.”

The next generation management tool

The lesson? “I really thought aggregating plan data would attract the smaller firms who wanted to know best practices, and then it would trickle up,” says Murguia. “But it turns out it was a big part of our value proposition for enterprises. And when you look at it, there are a lot of rebalancing mechanisms for investments, and tools to create model portfolios and stay on top of the consistency of investment advice down to the penny. But until now, there has been nothing comparable on the planning side, nothing to help them establish, monitor and drive best practices down and throughout their firms.” Ujano, meanwhile, has taken on an unofficial, but important, role as feature consultant for InStream, looking for better ways for the software to facilitate better planning at his firm—and others. “We’re really committed to the quality of our advice, as well as the transparency and consistency of that advice throughout our organization,” he says. “We want to be able to add value beyond the structure of the portfolio we’re creating,” he adds, citing the integration of Social Security and Medicare, potentially using a standby letter of credit and reverse mortgages for portfolio longevity purposes and distribution strategies with cash reserves – “and have it all built into our platform, where we can identify best practices from the top down, and monitor how well and consistently they’re being applied at the advisor level.”

As advisory firms grow and face the challenges that Mercer is addressing, this feature that was almost thrown away will become an increasingly important management tool for the profession, and solve a problem that none of the larger emergent planning enterprises

realized they would face.

Bob Veres's Inside Information service is the best practice management, marketing and client resource for investment advisors and financial planners. To get a free sample issue of Inside Information, send your request to [REDACTED], or order online at <http://www.bobveres.com>.