

# Next Generation Managed Advice

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*Lifetime relationships & UMH programs through advanced wealth solutions, advisory experiences, operations, and technologies*



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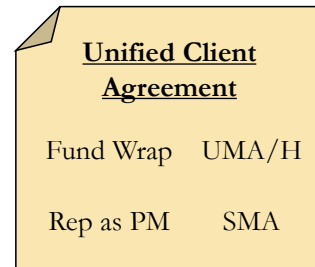
# Defining the Next Generation in Managed Advisory Solutions

The fee-based advisory industry has been evolving rapidly, working to keep pace with shifting consumer expectations and effectively address the needs of not just the high net worth, but also those of ascending demographics, such as the Millennials and other middle market & mass affluent consumers. A number of defining characteristics have emerged:

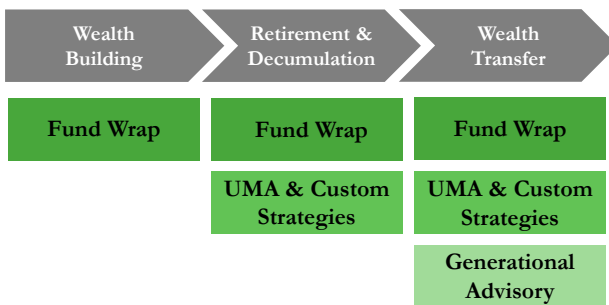
## 1. Standardized Wealth Offerings

Wealth managers are making it easier for advisors to seamlessly capitalize on and grow the full lifetime potential of their client relationships by standardizing their managed account suites.

One key component is the unification of full managed product suites under a single advisory agreement and the implementation of a universal advice process. This consolidated arrangement allows advisors and clients to add or change managed accounts without having to deal with disruptive and lengthy transition processes.



### The Lifetime Relationship



Firms are also reengineering their managed products to provide structural consistency across features, pricing, investments, and compensation models. Along with technology enhancements, these changes are helping streamline sales, implementation, and servicing processes to realize lifetime relationship’s benefits.

## 2. Coordinated Multi-Account Management

Fee-based programs are enabling advisors to deliver advice in a more natural, transparent manner through managing across objectives, rather than at the individual account level.

Multiple disparate accounts (e.g. fund wrap, SMA) are being organized into a single “Unified Managed Household (UMH)” relationship group. The accounts in the UMH are managed together towards specific investment goals (e.g. retirement decumulation), while accounting for both practical (e.g. tax) and mechanical differences between the individual accounts.

Technology is key to enabling multi-account management, by facilitating time-consuming activities such as rebalancing and reporting upon nested account- and relationship-level models. Automated household management can also help advisors provide value add tax-aware investing with quantifiable tax alpha, by easing targeted asset location and lot level management across account registrations.

## Defining the Next Generation in Advisory Managed Solutions (continued)

### 3. Consistent Client & Advisor Experiences

Wealth firms are actively improving their client & advisor interactions and processes, while ensuring that they are compliant and risk-managed.

This involves the development of uniform investment management practices, including guided models & constrained customization, to generate superior results while still allowing advisors to address unique client situations. This also ensures consistency across client segments and within multi-account households. These uniform practices are supplemented by intuitive, automated workflows to easily direct sound advisor behavior (e.g. rules-based alerting, portfolio management workflow automation).

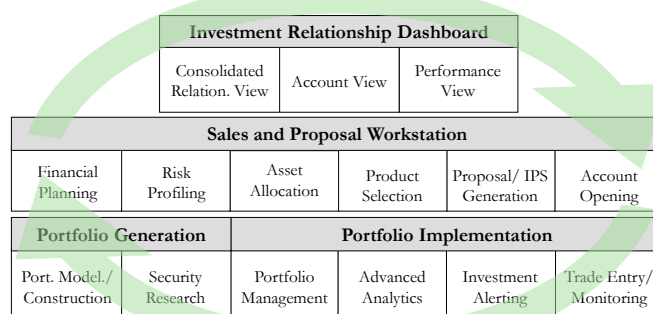
To ensure proper oversight of the experience, institutions are also implementing programs & systems to proactively analyze advisor-directed activity (e.g. holdings analysis, performance dispersion), and formalizing procedures to address imprudent activities.

### 4. Technology Enhancement

Institutions are further capitalizing upon the rapidly advancing capabilities of managed solutions technology (e.g. advanced data analytics & management, automation) to better competitively position their programs with both advisors and clients.

Ensuring investment programs and advisors are effectively supported by an integrated suite of systems (e.g. financial planning, performance, rebalancing) is a key concern. Many firms are employing best of breed solutions, outsourcing non-core functionality and building differentiation through their advice & investment competencies.

Fundamental to any advisory platform is ensuring that all systems are linked through an effective data management strategy. Inefficient or inaccurate information flows can paralyze system operations and erode the advisor & client experience.



## Implementing Next Generation Advisory Programs

While wealth management institutions may understand what their next generation managed programs should look like, many are struggling with defining and implementing the necessary steps for transformation. Effective execution of these new programs involves strategic decision-making and innovation in number of key areas:

### Wealth Solutions Design

*Firms are focused on developing market-differentiated product packages for disparate client situations and advisor approaches:*

- Product standardization (e.g. pricing, features, compensation) across all managed accounts in line with market expectations to support the unified advisory program experience
- Assessment of implementation of new investment management functionalities (e.g. tax harvesting, goal-based model portfolios) to address gaps in client financial lifecycle needs
- Tailoring of products to specific consumer segments (e.g. fund wraps for Millennials, UMAs for Baby Boomers) & objectives (e.g. liability-driven retirement income strategies)
- Structuring of transition programs to effectively rollout new lifecycle & household advisory programs without disruption to the current clientele & advisor force

### Advisory Experience Reengineering

*Wealth managers are also comprehensively remaking their business processes to initiate best of breed sales & servicing experiences:*

- Implementation of new goals- and values-based financial planning & investing and integration with core systems for advisor efficiency & customer transparency
- Definition of customer segmented service experiences and detailed process flows
- Definition of new system requirements to remove manual burdens from advisors and enforce consistent delivery (e.g. automatic tax management, advisor trading tools)
- Systematic deployment of automated workflows across sales, planning, onboarding, portfolio management, reporting, and servicing to guide advisor change management

## Implementing Next Generation Advisory Programs (continued)

### Systematic Implementation

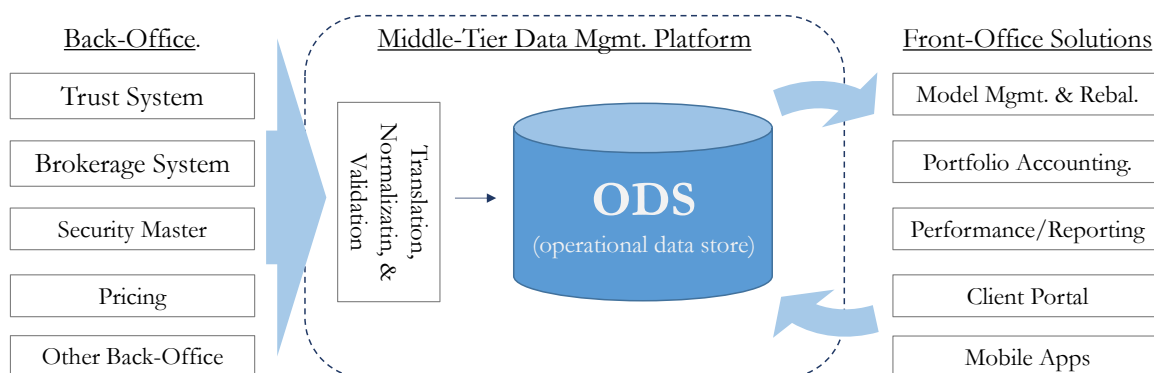
*Institutions are further gaining leverage through optimization of operations & compliance programs:*

- Creation of unified servicing operations flows to implement true household-based management across suitability, client mgmt., fees, advisor compensation, and reporting
- Establishment of automated alerting (e.g. advisor trading behavior & performance analytics) & audit tracking to effectively identify and address inappropriate advisor behavior without disintermediating the advisor-client relationship
- Development of new disclosures, agreements, and systematic reporting to harmonize the new relationship-based experience with regulatory requirements

### Technology Enhancement

*Firms are realizing immediate, tangible improvements through new unified front & back-office wealth advisory systems environments:*

- Comprehensive functional and technical requirements definition spanning core advisory system components (e.g. model mgmt., rebalancing, onboarding, performance, servicing)
- Internal capacity rationalization and assessment of development & outsourcing alternatives
- Best of breed vendor evaluation and design of integration, configuration, and custom enhancement plans, including use cases, development project planning, & UAT scripts
- Development of effective data management strategies, including holistic information flow analysis and data architecture design





## PATPATIA & ASSOCIATES, INC.

*We provide practical strategy & execution management consulting services to wealth management firms, encompassing advice experiences, wealth offerings, and technology modernization*

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**Note:**

1. Source: Cerulli Associates: Cerulli Quantitative Update-Retail Investor Provider Relationships 2011 (based on data from Phoenix Marketing International, Cerulli Associates)