

FPA-ACTIFI ADVISER TECHNOLOGY REPORTS

[FINANCIAL PLANNING SOFTWARE]

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[ABOUT THE FINANCIAL PLANNING SOFTWARE REPORT]

The Financial Planning Association® (FPA) and ActiFi are proud to announce the completion of the second of a planned total of seven technology reports: the Financial Planning edition. This is the first in-depth guide created for advisers to assist them in choosing their financial planning software.

A total of 10 software packages were reviewed in the research report, which is composed of data gathered from FPA members, the vendors themselves and testing of each application.

[TAKE A LOOK]

Take a glance at what the report has to offer. The FPA-ActiFi Adviser Technology Reports: Financial Planning edition provides an easy-to-use guide to help advisers make smart software decisions to improve their work flow, potentially increase profits and advance their business.

But don't take our word for it. Take a glance at the following pages and see for yourself!

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[EXCERPT FROM THE CRM REPORT]

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can be more associated with a need to save more (and thus create additional assets under management for advisers) than some of the lower ranked features, revenue opportunities may explain the ranking.

Goal Setting—It is also not a shock that goal setting was the third highest ranked feature. It is a bit surprising though that only two-thirds of advisers ranked this as a use for the technology, as it is a key component of financial planning.

Insurance Planning—In the earlier referenced survey, insurance planning also ranked lower with consumers (10th of 15) than with advisers. This gap also can probably be explained through advisers' use of the planning tool to generate insurance revenue opportunities.

Estate Planning, Asset Allocation, Cash Management, Tax Planning—All of these functions represent opportunities for adding additional services to an adviser's practice.

BUSINESS PROCESS

Report Generation—Most users (80 percent) appear to be using the reports generated from financial planning tools. It is interesting to note that the use of the tool for follow-up appears to be lagging by nearly 20 percent. Clearly, there is opportunity for advisers to utilize the tools to provide better ongoing service.

Data Collection and Storage—While only 56 percent report using a financial planning tool to store client data, there are several other tools that advisers may be using (CRM, document management, portfolio management). Depending on the focus of a practice, each of these tools may be more appropriate.

Plan Updates—As financial planning services become more and more complex, updating all the information required to keep a plan up-to-date becomes more critical. Advisers are showing an awareness of this issue as 59 percent leverage their planning software to help them accomplish this.

Financial Planning Functionality Overview

BREAKDOWN OF FUNCTIONAL CATEGORIES INTO FEATURES AND FUNCTIONS

Each of the eight vendors included in the study was put through a rigorous functionality checklist, which is outlined in detail in Appendix A. To provide objective scores for each category, the research drilled down to the most granular level of functional performance. Specifically, each functional category was divided into features that further broke down into task functions as follows:

Functional Category Definitions:

- **Functional Categories**—the highest-level characteristics of a given technology solution applicable only to that specific solution (e.g., they pertain only to CRM, financial planning software, portfolio management technology, or another specific type of technology solution). This is a general category such as alerts and monitoring of the financial plan.
- **Features**—the defining set of activities that make up the functional category. A feature is typically executed by performing one or more functions. These are subgroups of the general category that are specific types of actions you can take (for example, a portfolio alert, which falls within the general category of monitoring the financial plan).

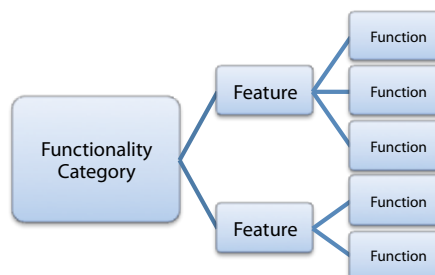
- **Function**—the lowest possible action or task of any functional category. It is a subset of a feature and cannot be broken down further. This is the specific action that can be taken in the system.

Example: Taking a Look at the Functional Category "Asset Allocation, Risk Analysis, & Portfolio Management"

For the research, vendors were given the opportunity to fully describe and provide a demonstration of their entire solution. Each vendor was provided with the functionality checklist in advance, so each was aware of the process detail level.

To illustrate the process, consider the functional category "Asset Allocation, Risk Analysis, & Portfolio Management."

Exhibit 9: Functional Category Definitions





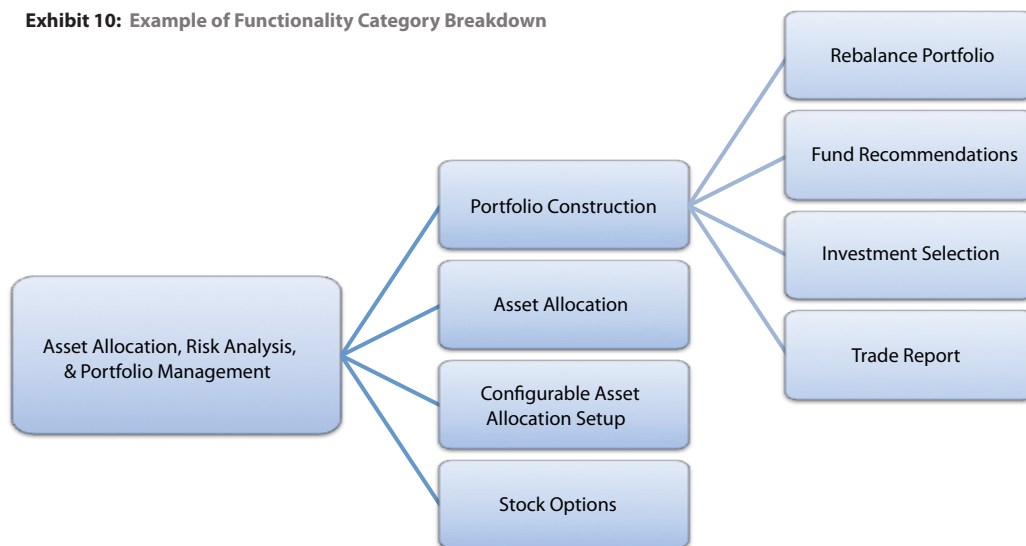
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Exhibit 10: Example of Functionality Category Breakdown



The in-depth evaluation was conducted live with each vendor. For “Asset Allocation, Risk Analysis, & Portfolio Management,” each vendor was asked to perform tasks associated with a feature and function. For the feature “Portfolio Construction,” the vendor was asked to demonstrate how its system conducted the four functions associated with the feature, and each specific system was scored on its ability to perform the task. In addition, each system was scored on the following questions:

- How intuitive is the feature?
- Does the vendor integrate with any other solution to deliver the capability? If so, what is the level of integration within the solution?
- Are there any unique functions within the feature that differentiate the software?

FPA-ACTIFI COMPASS CIRCLES

The evaluation and scores of a specific vendor’s benefits and functions were then plotted via two matrixes called the “FPA-ActiFi Compass Circles.” These Compass Circles were developed to provide advisers with a visual guide on how one vendor compares with another. The Compass Circles allow advisers to easily compare one vendor with another on both the benefits an adviser could see by selecting a specific system, and the functional attributes that are a build-in part of a specific offering. See Exhibit 11.

Benefits Compass

Based on the market analysis combined with specific functionality components, a series of benefits criteria was developed to help advisers evaluate some of the less tangible attributes of each vendor’s offering. All criteria are scored on a four-point scale but consist of different components depending on the category.

These criteria include:

- **Vendor presence**—Scored by looking at years in the business, number of users, experience with financial advisers, etc.
- **Pricing**—Uses a formula of an average total cost over five years (to balance out initial license fee investment for installed solutions versus monthly fees for hosted solutions).
- **Scalability**—Scored using two criteria: does the vendor already have existing enterprise clients, and what is the solution’s ability to support multiple offices?
- **Customer support/training**—Scored by looking at vendor customer service available and includes live support, SLA on e-mail support, cost structure of support, and all customer service options available.
- **Overall functionality**—Average score based on the full scoring of functional categories.
- **Customization/flexibility of solution**—The ability to create custom fields and relationships between fields, as



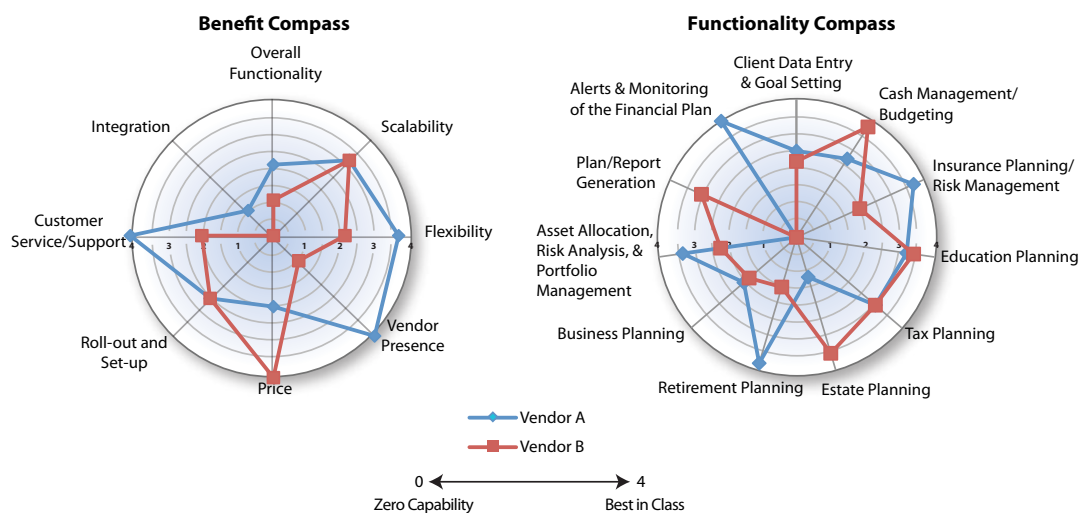
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Exhibit 11: Sample FPA-ActiFi Benefit and Functionality Compasses



well as the ability to easily configure functions through administrative screens.

- **Integration**—detailed look at the breadth and depth of other adviser technology integration.

Functional Compass

The solutions were also scored across eleven functional areas. Vendors received rolled-up scores on a four-point scale for each of the areas, based on whether features existed and, if they did exist, an evaluation of how they performed. Key criteria related to the Functional Compass include:

- Features were evaluated down to individual functions, but scores were determined at the feature level and rolled up to the functionality category level only.
- Vendors were unable to achieve a rating of 4 without having all the available functions in any given feature.
- Weights were assigned (based on importance) at both the feature and function levels.
- Each feature contained in each functionality category was scored based on three components (see Appendix A for full description):
 1. Existence of functions in feature (weighted at 50 percent).
 2. Intuitiveness—scored on a scale of 0 to 1 with common

scoring being 0.5 for “somewhat intuitive” and 1 for “easy to use, very intuitive” (weighted at 25 percent).

3. Level of integration—based on a four-point scale in which a score of 1 represents Level One integration and 4 represents Level Four, a fully integrated feature (weighted at 25 percent).

FUNCTIONAL COMPASS FINDINGS

An analysis of the Functional Compass Findings reveals seven topics advisers should review.

1. Planning and Development Philosophy Affects Functionality—Based on their core planning philosophy, some vendors do not offer certain functions. The overall functionality score is affected by these factors, which reinforces the need for the reader to align their business requirements to the appropriate functional category. Additionally, some vendors have chosen not to include certain functionality and, instead, direct advisers to another system (e.g., CRM for Alerts) for this functionality.

2. User Interface Design Methods Vary—Some vendors have focused more on the design of user interfaces that can be used with clients (i.e., direct client access) while others have chosen a simplistic