

FPA-ACTIFI ADVISER TECHNOLOGY REPORTS

# [ PORTFOLIO MANAGEMENT EDITION ]

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## [ ABOUT THE PORTFOLIO MANAGEMENT SOFTWARE REPORT ]

The Financial Planning Association® (FPA) and ActiFi are proud to announce the completion of the fourth of a planned total of seven technology reports: the Portfolio Management Edition. This is the first in-depth guide created for advisers to assist them in identifying and selecting a portfolio management software solution.

A total of 10 software packages are reviewed in the research report, which is composed of data gathered from FPA members and software vendors.

## [ TAKE A LOOK ]

Take a glance at what the report has to offer. The FPA-ActiFi Adviser Technology Reports: Portfolio Management 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!

## [ PURCHASE AT A DISCOUNT ]

**FPA and TD Ameritrade Institutional are currently offering a savings of \$200 off the regular retail price.**

This report is valued at \$495, but since you visited TD Ameritrade Institutional's website, you can purchase this report at a discounted price of \$295. Visit FPA's online store at <http://www.fpanet.org/professionals/FPAStore/TDPMReport> and add the report to your cart (you may need to log in or create a new login). Simply view your shopping cart, click on "promo/gift card", enter **TDPM11200** into the promotional code window and save \$200 on the report purchase instantly.

### **Save even more with an FPA membership!**

As an added value, individuals hearing about this great deal have the opportunity to become FPA members for \$295. Membership includes these [great benefits](#), as well as the Portfolio Management Software report free of charge. In order to take advantage of this special offer, please call us at 800.322.4237, option 2 and mention this special price for the Portfolio Management Report plus FPA membership offer from FPA and TD Ameritrade Institutional.

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[ TABLE OF CONTENTS SAMPLE ]

2011 Adviser Technology Reports



PORTFOLIO MANAGEMENT EDITION

*Contents*

**ABOUT US & COPYRIGHT** ..... 3

    About Us ..... 3

    Copyright and Disclaimers ..... 4

    Logo Notices ..... 4

**PURPOSE AND METHODOLOGY** ..... 5

    Why We Wrote This ..... 5

    Research Methodology Overview ..... 5

    Portfolio Management Software Vendors Included in this Report ..... 6

**HOW TO USE THIS REPORT** ..... 6

    Questions to Ask and Answer ..... 6

    Breakdown of Functional Categories into Features and Functions ..... 8

    Using the Vendor Profiles ..... 9

**LEARNING FROM PEERS: ADVISER RESEARCH** ..... 10

    Advisers' Use and Perceptions of Portfolio Management Software ..... 10

    Maximize Your Software Benefits ..... 11

    Focus on the Benefit of Most Importance ..... 13

    Bigger Budget = Better Benefits? Not Necessarily ..... 14

**INDIVIDUAL VENDOR SCORING AND PROFILES** ..... 15

    Advent Portfolio Exchange (APX) ..... 15

    Advisors Assistant ..... 18

    Albridge Wealth Reporting ..... 21

    AssetBook ..... 24

    BlueSky (Black Diamond Performance Reporting) ..... 27

    FinFolio Workstation 2010 ..... 30

    Morningstar Office ..... 34

    Orion Advisor Services ..... 37

    PortfolioCenter ..... 40

    Solution 360° ..... 43

**APPENDIX A: FUNCTIONALITY CATEGORY SCORING—OVERALL METHODOLOGY** ..... 46

    List of Features and Functions ..... 46

    Scoring ..... 47

    Example Scoring: Scoring of Vendor B ..... 48

**APPENDIX B: BENEFITS CATEGORY SCORING—OVERALL METHODOLOGY** ..... 49



[ EXCERPT FROM THE PORTFOLIO MANAGEMENT REPORT ]

2011 Adviser Technology Reports



PORTFOLIO MANAGEMENT EDITION

## Purpose and Methodology

As with the previous reports in this series, this report is designed to serve as a roadmap for advisers to use when evaluating and selecting software for their practices. Because financial planning services span a wide variety of business models, individual adviser objectives, and client needs, there isn't a silver bullet solution that is best for everyone.

Before comparing the cost and functionality checklists of various software providers, it is important to have your business objectives and your specific software objectives identified. This report is designed to provide key information that can help you make strategic decisions with your portfolio management software purchase or usage.

### WHY WE WROTE THIS

We started our mission of writing the ultimate portfolio management software report because of you, the adviser. For years we have listened to you talk about the lack of existing information available to help advisers learn about portfolio management technology and, once adopted, fully utilizing the software you have.

The Financial Planning Association and ActiFi Inc. collaborated to take the guesswork out of technology purchases. Through a comprehensive software, technology, and business best-practice research program, FPA and ActiFi hope to help advisers identify which technologies are best for a specific type of practice, so advisers can make the right technology purchase decisions. The research program provides advisers an objective and personal view of how technology can improve client service and increase profits. A series of in-depth reports and analyses compares and contrasts the attributes of various software and technology offerings and determines which package is best for a firm's business operation. The following report on portfolio management software is the fourth report in the series.

"FPA is excited to participate in this research program that provides much-needed insight and analysis regarding technology," said Marv Tuttle, executive director and CEO of

the Financial Planning Association. "Software and technology are often challenging areas for financial planning professionals when determining what's best for their practice. Having the tools and resources needed to compare the attributes of various software and technology offerings is integral to determining the best package for a firm's business operations."

FPA and ActiFi conducted extensive research in the various software products available to advisory firms. In addition, quantitative surveys and in-person interviews provide a best-practice view of how technology can interact to improve operations, client service, client acquisition, and ultimately a business's profitability.

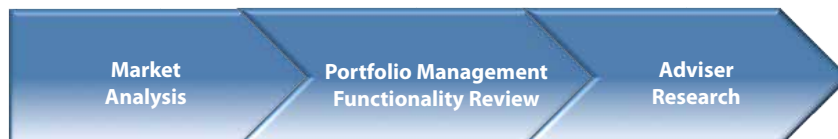
"All too often we see financial advisory practices that have made the wrong technology decisions by focusing on the bells and whistles of a software package versus what tools will drive their client experience and improve their business processes," said Spenser Segal, CEO of ActiFi. "Advisers don't have the time to be software experts and thus rely on what's promised in marketing and sales literature. With FPA, we're going to take a leadership role in helping the industry define best practices and then provide advisory firms the objective information they need to make wise choices."

### RESEARCH METHODOLOGY OVERVIEW

This report was developed from a combination of vendor interviews, software functionality testing, and a quantitative online survey of financial advisers. The goal is to create a report that has a wide breadth covering the key vendors, and depth to encompass the core issues and desires of users. The research methodology included three major elements that ultimately created a 360-degree view: (1) market analysis, (2) functionality review, and (3) adviser research. See Exhibit 1.

**Market Analysis**—Portfolio management software vendors were interviewed at length to determine company history, customer experience, perceived points of differentiation, marketing and distribution strategies, pricing, support services and much more. In addition, secondary analysis was conducted to provide objective information on each of the reviewed vendors.

Exhibit 1: Research Components





## [ EXCERPT FROM THE PORTFOLIO MANAGEMENT REPORT ]

2011 Adviser Technology Reports



PORTFOLIO MANAGEMENT EDITION

**Functionality Review**—The research included an in-depth functionality review of the vendors covered and took into account all aspects of the technology. It included a detailed review of nearly 40 functions within 9 functional categories, a look at how easy each technology is to use, and how well these technologies integrate with other technologies. Each vendor profile provides a summary of the scoring in a graphical format as well as a summary and conclusion that are written from a purchasing adviser's perspective.

**Adviser Research**—FPA members were surveyed on their opinions and uses of portfolio management software. The survey results serve as a snapshot of how users view the tools today, and the answers provide direction for how technology can add the most impact to individual practices.

#### PORTFOLIO MANAGEMENT SOFTWARE VENDORS INCLUDED IN THIS REPORT

Included in this report is a detailed evaluation of 10 technology vendors covering 10 portfolio management software products:

- Advent Portfolio Exchange (APX)
- Advisors Assistant (Client Marketing Systems Inc.)
- Albridge Portfolio Management (Albridge - Pershing)
- AssetBook (Major Technology)
- BlueSky (Black Diamond)
- FinFolio Workstation 2010 (FinFolio)
- Morningstar Office (Morningstar)
- Orion Adviser Services (Orion Adviser Services)
- PortfolioCenter (Charles Schwab)
- Solution 360° (Interactive Advisory Software)

(NOTE: Additional vendors were asked to participate but either declined or did not respond.)

## How to Use this Report

Whether you currently use portfolio management software or not, this report is designed to be a starting point for selecting the appropriate system and getting the most out of the technology once it's in place.

For advisers not currently using portfolio management software, this report serves as a guide to creating your key requirements and a roadmap for selecting a solution that fits your firm's specific needs. Our intention is not to identify one or two best technologies, but one or two technologies that will work for you based on your objectives and unique practice style.

For advisers who currently use portfolio management software, our adviser research shows that while advisers are generally satisfied with their software, on average advisers are only using four of the functional categories available in this type of software. However, advisers using six or more functions are more likely to be satisfied and report an increase in productivity, less worry, increased capacity to serve clients, more effective client service, and a decrease in expense as a result of using the software. Our intention for advisers who are already using portfolio management software is to provide you an opportunity to perform a gap analysis of features you currently utilize against features you could use to optimize your return on investment.

#### QUESTIONS TO ASK AND ANSWER

Technology is playing an increasingly important role in financial planning. It can help you save time, deliver a better client experience, ensure consistency and quality in your services, assist with protecting your practice from a legal and regulatory perspective and provide peace of mind. To gain these benefits and enable a smooth implementation, several preparatory steps need to be completed before you start to evaluate solutions, particularly when it comes to portfolio management software.

**Understand the Functionality**—Before you dive into your business framework and identify your needs, you should first have an understanding of what portfolio management solutions can offer. Portfolio management software solutions can automate a number of tasks embedded in implementing and monitoring your client's financial plans. The major categories of functionality include:

- **Asset allocation/rebalancing**—develop asset allocation models, generate lists that identify the transactions needed for portfolio rebalancing and define limits for notification when portfolios are unbalanced
- **Client billing/accounting**—generate invoices and accounting reports identifying fees received and outstanding
- **Client contact information**—manage client records, accounts, and/or groups including contact information
- **Compliance reporting**—generate reports for compliance/audit purposes
- **Data management**—import data from internal files or download from your custodian and view client data
- **Investment reporting for internal use**—track investment vehicles and view data on various investments



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2011 Adviser Technology Reports



PORTFOLIO MANAGEMENT EDITION

- **Investment reporting for clients**—generate client-facing reports on their investment performance
- **Securities Pricing**—integration, completeness, and management of price data
- **Systems Administration**—customization, configuration, security, and auditability

With these areas in mind, you can develop a portfolio management software adoption plan that can help you accurately identify your needs and outline a conceptual framework for implementation and ongoing use of the software. With this plan in hand, you will be able to quickly eliminate software options that do not fit your needs and spend time evaluating only those solutions that are a good fit for your practice.

**9 Steps to Develop a Plan**—Your answers to nine specific questions will provide an outline of the type of software solution you need, what business benefits will likely result and how to implement and monitor your use of the software. Pull out a pen and paper and answer these questions as you read through them, or download FPA's Portfolio Management Software Adoption Plan template available on the Practice Management Center at [www.FPAnet.org/PracticeManagement](http://www.FPAnet.org/PracticeManagement). Either way, answer these questions as specifically as you can for an effective adoption plan.

**1. What are your top two or three business objectives?**

Answer this question in the context of your practice as a whole. If you annually identify your business objectives for the coming year, then you can simply record those answers here. If not, take a few minutes to think about what your business objectives are today. Are you trying to build long-term value into your practice? Increase revenue? Work fewer hours per week? Jot down all the objectives that occur to you, and then prioritize them so you can identify the top two or three.

**2. What do you expect to gain from using portfolio management software?**

After you have identified your business objectives, identify the specific objectives that portfolio management software can enable. Then, develop specific objectives for the software in order to achieve those key, overall practice objectives.

For example, if one of your overall business objectives is to increase client satisfaction, the specific portfolio management objectives underneath it could include client-friendly reports, clear and timely bills/invoices and comprehensive income reporting.

**3. What functionality do you need the software to provide in order to gain the benefits you want?**

Once you have identified specific portfolio management objectives, you can outline the specific functions you need the software to provide in order to achieve those benefits. For example, if you want client-friendly reporting you can list specific requirements around the report appearance (charts, tables or other visual aids your clients would prefer), ease of generating the reports, customizability and other specific requirements that will make these reports appealing to your clients.

**4. Which current processes will be affected or need to change if/when you adopt portfolio management software?**

Sometimes you already have a process in place that you will substitute either fully or partially with new software, other times you may be creating a completely new process. Continuing with the reporting example, if you currently generate quarterly client reports, you may be able to simply replace the process you currently use with the new software. However, if the software does not allow you the same level of customization, or if you have other documents that need to be attached to the report, you may need to create a new process to fill that gap.

**5. How will you measure your/your staff's adoption of the portfolio management software, and will you use incentives to encourage proper use of the software?**

One of the biggest challenges with adopting new software is implementing it and using it effectively. Before the software is chosen or installed, identify how you will measure your use of the software. For example, you might choose to set milestones to reach an objective, such as 25 percent of clients will receive the new reports in Q1, 50 percent in Q2, etc. Be sure to explain to staff members how you expect them to use the software and assign specific responsibilities. Also outline how staff will be rewarded for effective use of the software, either through new incentive programs or as a part of your ongoing review and bonus/incentive structure.

**6. Who will be in charge of evaluating and improving your use of the software?**

To ensure you gain business benefits from your portfolio management software, it is important for one individual to be responsible for evaluating the overall use of the software as outlined in your plan. This person may also be responsible for identifying new or improved uses of the software based on unexplored functionality or new releases/improvements made by the software provider.