



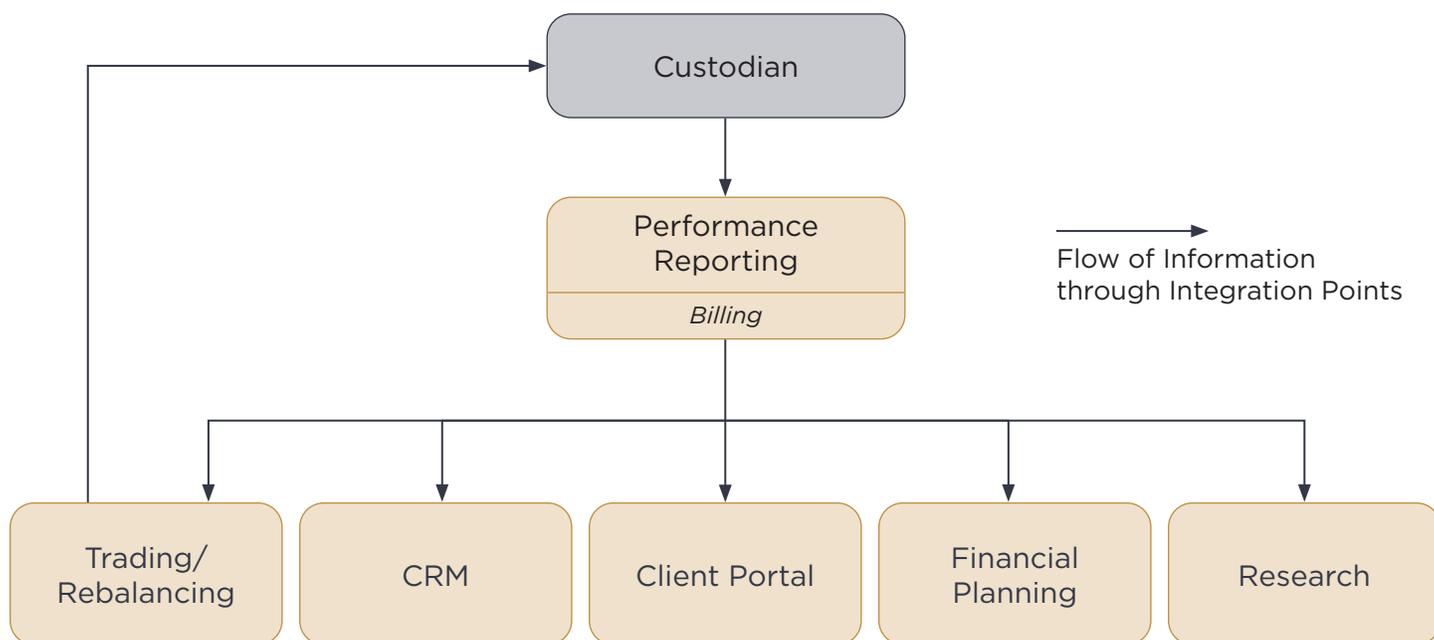
The Importance of Reporting Provider Technology for RIAs

This is the ninth installment of our continuing white paper series designed to help advisors build their dream firm and continue our mission of **Promoting Financial Independence.**

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The number one question we receive from advisors looking to establish an RIA is, “How do I recreate the products and services I’ve always offered to my clients here at the wirehouse or independent broker dealer where I have spent my entire career?” To answer that question, we refer to the following chart, which shows the systems that typically make up an RIA’s infrastructure, and the flow of data throughout the back-office ecosystem.



As you can see, the Performance Reporting software acts as the “hub” for all data as it flows through the rest of the RIA’s back office systems. Client positions and transaction history flow from the custodian(s) into the performance reporting software, and from there, it is pushed to all other components of the RIA’s infrastructure. With its aggregation tools, the performance reporting technology allows RIAs to report on a client’s total financial picture, pulling asset values from 401k plans, liabilities, outside investments (including alternative investments held outside the main custodian), loans, collectibles, investment property, etc.

For the first time in the advisor’s career, they are now allowed to speak to a client’s total net worth,

which makes them that much more valuable in the client’s eyes. While the transition from the captive employment model to RIA can be a challenging one, the reporting provider technology is the “Holy Grail” that advisors have been looking for. As Stefan Daniels, Enterprise Data Analyst with Addepar states, “Change is always perceived as hard, but the results pay dividends for advisors and their clients. This (reporting provider) technology can effectively address the generational shift among your clients. Younger generations are growing their assets and are expecting more from technology. You’ll have the power to provide a new slate of services to the next generation of clients, without losing valuable data relevant to those clients.”

To view PFI Advisors’ previous white papers, click here

Limitations of Monthly Custodial Statements

Client assets will typically sit at one of the four major RIA custodians—Schwab, Fidelity, TD Ameritrade, or BNY Mellon Pershing

In addition to providing clients peace of mind by securing their assets, custodians also provide traditional banking solutions such as checks, debit/credit cards, the ability to journal money, wire money, or send funds via EFT/ACH, etc. The custodians provide tax reporting statements to the client at the end of the year and also provide that data to the IRS.

Much like bank statements for a checking or savings account, custodial statements simply provide account owners with balances and transaction history. These statements are broken down by account number and act as an efficient way for clients to verify, through a third-party, the assets they have invested under the RIA's purview. In a post-Madoff world, this third-party verification is critically important to both clients and advisors.

These statements do not, however, provide any performance numbers at the account, household, asset class, or security level. The custodial statements provide no commentary on the direction of the markets or the specific investment strategy the client is invested in. If the advisor wants to paint a picture of the client's financial standing, he or she

will need to utilize the performance reporting software in order to do that. Performance reporting software allows the advisor to create customized and dynamic reports, usually through a drag-and-drop interface, to group accounts within the household in the most logical way for the client to understand.



The customization options provided by the reporting software are robust and can capture data on assets not directly managed or advised on by the advisor. The reporting technology can also aggregate information from the financial planning software that the firm uses, or any other source of information that will help the client have a holistic view of their financial life and well-being. These reports can then be customized to display all

information in ways that the client can understand best and fits most with the firm's philosophy—firms focusing on performance can break metrics down to the individual holding level; firms focusing on planning can group different aspects of the client's portfolio to reflect their progress towards their various short and long term aspirations.

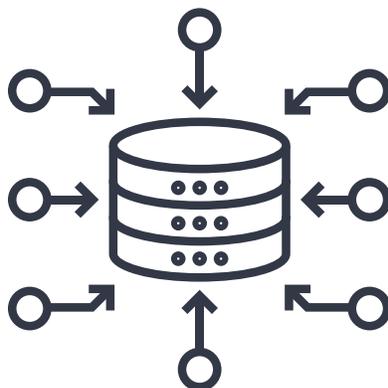
Custodial statements and/or websites, as discussed, only provide balances at the account level and only contain assets that are held at that specific custodian.

But what about clients with assets at multiple financial institutions? How can an advisor provide a comprehensive picture of all the client's assets? As the visual on the first page of this report depicts, the performance reporting software can take in direct data feeds from multiple financial institutions and aggregate them into one report (or portal view) for the client. From a sales perspective, this can be extremely valuable for RIAs, as it separates the RIA advisor from an advisor at a traditional wirehouse who is only allowed to speak to the client about assets that are physically under his or her advisement.

As we have previously [written](#), “Once you get a data feed established on those outside assets and begin to incorporate those into quarterly reviews with clients, the game totally changes.

First of all, from a sales perspective, you can now say, ‘That other advisor ... they keep zigging when they should be zagging.’ But more importantly, when that client sits down with you a few times a year, you can speak to their entire financial situation; the other advisor can only speak to the assets they are managing. It is almost subliminal, but the client starts to walk away from their meetings or phone calls with you thinking, ‘I just feel like our meetings go deeper. My advisor (you) really seems to understand what my total financial picture is. I don’t have this same connection with my other advisor.’ Over time, the client starts sending more of their wealth to you.”

Andina Anderson, Executive Managing Director of Envestnet | Tamarac, stated, “We believe data is the fuel powering essential advice which leads to financial wellness. Data from multiple sources can be aggregated, analyzed, and stored in an integrated, secure system in order for advisors to serve clients better and grow their practices.”



Data aggregation is also vital to advisors who recommend clients invest in alternative investments, where the client will fill out subscription documents of various hedge funds or private equity vehicles, and then wire the funds out of their custodial account to the respective fund administrators. By using the data aggregation capabilities of the reporting provider software, the RIA can reflect those assets on the performance report created

by the reporting provider.

With aggregation tools such as Quovo, By All Accounts, and Envestnet | Yodlee, RIAs can include 401k plans, liabilities, outside investments, loans, etc. to their performance reports. Advisors are also able to add non-digital assets such as collectibles and investment properties to these reports.

Another key component to the reporting provider package is the client portal. Beyond a static report that can be generated and sent to a client, the portal allows RIAs the ability to offer a dynamic picture of the client's portfolio that updates every single day.

This data is available to the client at all hours of the day or night, so in this [on-demand](#) world we live in, the client can choose when and how often they interact with their advisor, outside of the regularly-scheduled quarterly meetings.

We see many RIAs get caught up in the importance of this portal technology, thinking, "We must own the client experience," and end up spending valuable resources that could be strategically deployed elsewhere to develop and maintain their client portal. We think that is a mistake, as the major reporting providers offer highly customizable portals as part of their technology suite that RIAs are already purchasing - there is no reason for an RIA to spend six figures (or more) building a portal that simply replicates the technology being provided for free through software they are already paying for.

One RIA COO had this to say about the "build vs. buy" debate regarding the client portal technology: "We don't want to spend our time developing the portal. We know we can't compete with the fintech providers on how to make that experience better. If an RIA did have that kind of money, and they choose to spend it

on the client portal, they are spending their resources on the wrong things."

Bjorn Widerstedt is Vice President of Product Management for SS&C's Black Diamond Wealth Platform. He added, "An advisory firm trying to build its own client portal will typically run into unexpected costs for infrastructure, security, ongoing support, maintenance and upgrades. They will also miss out on rapid innovation that happens within a larger community of advisors - particularly in the mobile experience. For a fraction of the annualized cost, they can deploy a proven solution, see how their clients react, and evolve things from there."



Randy Lambert of Orion added, "Data security is a top concern for many clients, and small businesses represent 43% of all data breach victims. In addition to providing advisors with tools that enhance client security, advisors need to work with vendor partners that take security seriously and make internal security enhancements a priority as part of their product development lifecycle."

The lifeblood of any business is revenue, and RIAs are no different. Without cash in their bank account, businesses cease operations.

As such, the billing module embedded in all reporting software platforms is possibly the most important component of the reporting provider suite.

Many RIAs bill clients based on the assets under management (“AUM”), quarterly in advance. This means the quarterly bill is calculated based on the

value of the account on the last day of the quarter, multiplied by of the annual fee. However, this is only one version of the multitude of different billing methodologies. In the chart below, we have broken out some of the most common billing considerations and methods, all easily handled by the reporting provider technology.

| Timing | Basis | Period | Calculation Method |
|--|--|--|--|
| <ul style="list-style-type: none"> • Advance • Arrears | <ul style="list-style-type: none"> • Flat Fee • AUM Percentage • Hourly | <ul style="list-style-type: none"> • Monthly • Quarterly • Annually | <ul style="list-style-type: none"> • Average Daily Balance • Balance at Quarter Open • Balance at Quarter Close |

Using a direct feed from the custodian(s), data aggregation tool(s), or even manually uploading values of outside assets, the reporting software can perform these calculations for the RIA and generate a fee report that can be uploaded to the custodians for

debiting client accounts. The flexibility of these billing mechanisms allows RIAs to contract with clients in a number of different ways and allows them to collect fees in a manner that is best for the client and their business.

Conclusion

In the following pages, we have profiled four of the major reporting providers supporting the RIA industry. Each solution has specific strengths and based on an advisor’s business and client base, we are confident one or more of these solutions will solve the business needs for RIAs of all sizes and specialties. We’d like to thank Addepar, Black Diamond Wealth Platform, Envestnet | Tamarac, and Orion Advisor Solutions for not only participating in this white paper, but for acting as the engine behind RIA business across the country (and globe).



AT-A-GLANCE

Founded 2009

Headquarters Mountain View, CA

Employees 350

AUM by Clients \$1.7T

Website addepar.com

Addepar offers clients an independent financial technology solution for reporting, data aggregation/verification, and analytics. The company also offers a variety of integrations including leading CRM and trading solutions. Addepar leverages its independence as a standalone company to specialize in analytics, reporting, and to innovate quickly to meet client needs.

Don Nilsson, Addepar's Chief Product Officer, joined the firm from FactSet after seeing the power and flexibility of the Addepar platform. Core to Addepar's development strategy is continuing to build upon Addepar's unique strengths and growing capabilities where it makes sense, and otherwise building integrations to other best of breed solutions to offer complete end-to-end workflows. "Attempting to be all things to all people is not usually a winning strategy. We've spent years building a platform that can bring all non-liquid and liquid assets into one view, with a particular emphasis on alternatives. The platform is dynamic and customizable so we can model any asset class and currency in one place. We're focused on continuing to build upon these core strengths," states Nilsson.

As Addepar looks to extend its offering, client feedback is an essential part of their development process. Nilsson says, "We take a very user-centric approach to development. Client feedback is integral

to our process. It ensures we're focused on platform features and updates most relevant to our users. To that end, we are very focused on continuing to evolve our Addepar user community that will help drive more direct engagement between our R&D team and our users." Nilsson continues, "Our product and capabilities are constantly evolving based on client input. We aim to deliver a performance reporting system that is simple to use but that has the necessary flexibility and customization advisors need as their business grows."

It is this emphasis on flexibility and growth that has led Addepar to search out integrations with numerous other back-office solutions providers. Don continues, "We work with several CRMs, financial planning providers, and trading tools... we want the best in breed, which is why we put an emphasis on integrations and let the advisors find the best solutions for them—we don't want to try to provide everything ourselves."

This flexibility allows Addepar to meet RIAs wherever they may be in their business' life cycle. In starting new relationships with RIAs, Addepar seeks to truly understand a firm's current infrastructure and help them chart a path to future growth. It is for that reason that Addepar offers a tailored version called "AddeparGo," which is specifically designed to support new RIAs with a variety of client sizes by streamlining training and onboarding, then allowing the advisors to customize the system as they grow.

By focusing on supporting growth through numerous integrations, ease of use, robust reporting capabilities and the backing of large private equity funds, Addepar ensures that they are, "open for business, for any RIA that wants to grow with us."

¹ Financial Planning (2020), "Addepar Receives 40 Million for Fintech Development"



Black Diamond

A product of
SS&C Technologies

AT-A-GLANCE

Founded SS&C Technologies Founded in 1986,
Black Diamond Product Launched in 2005

Headquarters Windsor, CT

Employees 370

AUM by Clients \$1.2T

Website blackdiamond.advent.com

The Black Diamond® Wealth Platform distinguishes itself by reducing an RIA's operational burden through a focus on the client experience, data breadth and quality, and service—all with the backing of its parent company, SS&C Technologies. The first and foremost consideration has always been the user experience for both the advisor and their clients. The platform prioritizes a simple, easy to use, and elegant solution with robust mobile capabilities. By allowing advisors to customize their instance of the Black Diamond Client Experience portal through easy-to-use controls, the experience is cohesive and stress-free for all parties, regardless of whether they are operators or end-clients.

To this end, Black Diamond continues to deliver new, innovative features to add value to an RIA's practice. Recently, it launched an extension of their client portal called Relationship Timeline, which allows advisors to communicate with their clients in an on-demand, social media style. This has helped advisors continue to prove their value to clients by providing a high-touch environment where advisors share events, resources, and information in real time and in a personalized, yet scalable, way.

To power this client experience, Black Diamond must first verify the data is clean and accurate, as Steve Leivent, Senior Vice President states, "With the

support of our parent company SS&C, we believe we have the cleanest data. Through SS&C's relationships, we are able to create more direct connections with financial institutions than most other reporting providers in the industry." By leveraging so many direct feeds, Black Diamond provides RIAs a breadth and depth of data resources for both discretionary assets and to support aggregation. Thousands of financial entities can be connected directly to Black Diamond without the need for a third-party relationship.

Black Diamond understands the reporting provider is the center of back-office operations and any gap or interruption in service can limit an RIA's service to their end clients. In light of this, the Black Diamond team seeks to provide the best client service possible—with every RIA interaction. As Leivent states, "We understand this is a technology enabled service business -- not a software business -- and we need to be an extension of our client's back office. Clients can expect high-touch assistance through the onboarding process onto Black Diamond's platform and then have an ongoing client advocate who knows their business and can provide them customized service. There is always a named agent answering their questions, with no call trees, no forced service tickets, and no 800 numbers."

Delving further into the benefits of their relationship with Black Diamond's parent company, Leivent assures that "SS&C is not afraid to acquire businesses if it is better to own said business rather than simply integrating." A good example is SS&C's acquisition of Salentica, a CRM tool specifically tailored for the wealth management space.

By throwing a wide net, Black Diamond has joined forces with the best tools and systems in the RIA industry to provide quality, accurate service to advisors and their clients.



AT-A-GLANCE

Founded 2000

Headquarters Seattle, WA

Employees 355

AUM by Clients \$1.2T

Website tamaracinc.com

Investnet | Tamarac (“Tamarac”) offers its clients a comprehensive suite of services, including reporting, trading, data aggregation and reconciliation, billing, and CRM software. As a reporting provider, Tamarac places priority on data quality, accuracy, and integrity. On this topic, Andina Anderson, Executive Managing Director states, “[Nothing matters] if the data is not correct—we have focused heavily on data accuracy, which comes from our roots starting out as a trading platform when, if we didn’t have the right data then, it meant trade errors for clients. We knew then, and continue to emphasize, that data integrity has to be right from the start.” Tamarac understands the importance reporting technology plays in the client/advisor relationship, as it is the window through which advisors present their value to clients. Instead of relying solely on custodian data, Tamarac goes directly to the client holdings and uses historical transaction and pricing data, leveraging Investnet | Yodlee for data aggregation. As Brian Daley, Senior Consultant states, “We lean heavily on the Investnet organization to normalize custodian feeds—we use our expertise to audit somewhere around 28 different data checks before the advisor even gets into the office each morning to make sure their data is accurate.”

This attention to detail carries over to the use of the Microsoft powered Tamarac CRM®, which came about as a direct result of clients asking for more efficiency and deeper integration across their back-

office systems. Andina Anderson cites many IT studies that have shown advisors to be more efficient when they have access to integrated systems. Tamarac understands that a fully functional CRM is essential for any RIA. Because of this, they have focused on developing workflows to eliminate duplicative human labor when not needed. They have also worked to deepen their integration with the MoneyGuide financial planning platform (Investnet acquired the MoneyGuide family of financial planning applications last year), and continue to forge strategic partnerships with industry leaders and COIs like Salesforce.

Following Investnet’s acquisition in April 2019 of PortfolioCenter, Schwab Performance Technologies’ portfolio management and reporting technology solution for independent RIAs, Tamarac is positioned to help RIAs of any size achieve scalability. PortfolioCenter as a stand-alone product provides an affordable solution to firms seeking portfolio accounting technology and light reporting tools. As their practice grows and requires a more comprehensive client reporting and trading solution, PortfolioCenter clients can seamlessly add one or all of the components of Tamarac’s platform to further elevate their business.

Tamarac’s Quickstart service also reflects their dedication to serving advisors in all stages of practice development. Tailored specifically for breakaway advisors, Quickstart allows advisors access to the Tamarac suite within the first 30 days of launching their RIA. This allows advisors to hit the ground running, before conducting the full on-site or digital training with Tamarac employees.

Through their deep roots in trading, extensive connection to the Investnet suite, and devotion to getting the data right the first time, Tamarac has built a cohesive platform aimed to streamline RIAs’ core back-office needs to ensure their success.



AT-A-GLANCE

Founded 1999

Headquarters Omaha, NE

Employees 800+

AUA \$1T

Website orion.com

Orion Advisor Solutions got their start in the wealth management industry as an RIA, but quickly found themselves outgrowing their performance reporting tool because of its lack of flexibility and scalability. Recognizing this problem as an opportunity to build their own solution, they developed a platform that has now become one of the top back-office providers in the RIA space.

Orion Advisor Tech's suite of offerings exist to help fiduciary minded advisors realize their unique vision for success. Orion's innovative technology includes client experience tools, tax-intelligent rebalancing, efficient billing, integrated planning, and automated compliance monitoring, all aimed at empowering advisors to improve their firm's productivity, strengthen client relationships, and disrupt traditional ways of thinking. Some examples of their key differentiators are their capability to customize their platform to any firm's unique business specs, an open API framework that allows them to integrate seamlessly with many of the commonly used systems in the RIA space, and offering solutions to maximize Tax Alpha which allows advisors to create unmatched experiences to set their firm apart and add value to their client relationship.

For advisors looking for TAMP options, their Orion Portfolio Solutions brand exists to help financial advisors build strong and profitable businesses. By seamlessly integrating powerful technology with flexible investment options and hands-on product support, advisors can confidently manage their business through a simple UMA process, dedicated high-net-worth program, robust trading and

reporting platforms, integrated suite of compliance tools, and monthly billing cycle. Orion Portfolio Solutions currently boasts about 100 SMA and UMA managers with plans to add more.

Orion is always on the cutting edge and looks to innovate any way they can. Some of their most recent technology launches and innovations include their attention to compliance. Orion helps RIAs with their compliance needs with their in-house compliance tools that can track employee trading and run mock audits. Larger RIAs can leverage this software to save on outsourcing costs by empowering their current compliance officer. By acquiring and embedding Advizr's financial planning capabilities into their platform, they align the client engagement and financial planning tools of Advizr with its own end-to-end portfolio management technology, creating a seamless and barrier-free experience for advisors to begin each relationship with a financial plan.

Recently Orion added the power of its custom SMA optimizer, ASTRO, to Eclipse Trading. Users of both ASTRO and Eclipse Trading can now access ASTRO's direct indexing functionality natively within Eclipse Trading. They have also developed a "Communities" Model Marketplace to bridge the gap between advisor technology and outsourced investment management, offering advisors investing flexibility, choice, and personalization at scale while still allowing them to maintain their fiduciary oversight and trading discretion. And an exciting new addition is their launch of their marketing technology, Orion Market*r, the only marketing solution in the industry that helps advisors boost client engagement and fill their sales pipeline based on a core connection to Orion's financial planning capabilities.

By combining their roots as an RIA with their devotion to building and integrating the third-party solutions advisors may need, Orion exemplifies how committed the solution providers are in the RIA space to ensuring their clients (and their end clients) are provided with the highest level of service.

PFI Advisors has no economic relationship or conflict of interest with Orion.



PFI Advisors (“Promoting Financial Independence”) is a consulting firm that helps financial advisors build more impactful and profitable enterprises. It was founded in 2015 with the following mission in mind:

To further evolve the RIA industry from a collection of “practices” to “businesses,” and to be a continued voice in validating the industry as a legitimate landing spot for billion-dollar teams and their clients.

For breakaway advisors, PFI Advisors manages full RIA set up and transition to Independence, including office buildout, RIA infrastructure development, client transition, and billing services – all for a simple consulting fee.

PFI Advisors also conducts Technology Assessments, manages Technology Conversions, and provides M&A Preparation and Integration Services to RIAs seeking growth support.

Intuitive Infrastructure + Cohesive Culture + Alleviating Advisor Time = **Profitability**