

MAKE A SMART DECISION — Don't Leave Money on the Table

Billing on held-away assets. Four reasons why the tide is turning.

By James Carney,
President and CEO, ByAllAccounts

We have released several papers over the past six months that have pointed out the stark fact that many advisors are missing a major growth opportunity when it comes to their clients' retirement assets. Some advisors are not providing advice on these accounts at all, while others provide advice without billing for their services.

I believe there are four major factors at play that will dramatically — and permanently — affect how advisors handle these held-away assets over the next several years:

- 1. The sheer size of the retirement market.**
- 2. Investor demand for sound advice on all of their holdings.**
- 3. The availability of technology to easily obtain reconciliation-ready data.**
- 4. The availability of technology to automate the billing process.**

These developments are changing how advisors think about the associated costs and benefits of managing assets that are not housed at their primary custodians. After all, the market is large, investors want support, and the operational headaches of tracking assets and generating invoices are being eliminated.



It's Getting Really Easy

I speak with many firms that regularly bill on held-away assets and have streamlined their processes for doing so. Below are three different stories that show how advisors are embracing technology to help broaden client relationships, and grow both assets under management (AUM) and revenues. The stories show how you can introduce the concept of advising and billing on retirement assets to clients, and how the actual mechanics of generating invoices and receiving payment works.

Take Time to Craft and Explain Your Story

Altfest Personal Wealth ManagementSM

is a registered investment advisory firm located in New York City that has made Barron's list of top 100 independent advisors in the U.S. every year since 2007. Through Altfest's survey of their clients, they noticed a demand for consolidated reporting and more intensive management of client 401k's. Once they realized that account aggregation technology was available through ByAllAccounts to automate the process, they decided to deliver the offering to their clients.

Explaining this holistic service and the associated fee schedule for held-away assets was straightforward for new clients coming to the firm. It was more sensitive for existing clients, however, since Altfest advisors had been providing free advice when asked to review 401(k) accounts on an ad hoc basis.



“We created a profile for each client with points to cover in our meeting that outlined the benefits of having us manage all of their assets.”

**John Valentini, CCO, Senior Operations Analyst,
Altfest Personal Wealth Management**

The management team decided to discuss this new comprehensive service at each client annual review session (except for those about to retire in less than two years), and developed a list of important benefits to point out. This included the ability to:

- Create a comprehensive asset allocation program to ensure everything is working in harmony.
- Proactively advise clients on fund selection in their retirement accounts.
- Optimize the location of assets to benefit from potential tax-savings opportunities in tax-deferred accounts.
- Tap into specialized services typically provided to clients with higher asset levels since retirement accounts would now be included in the calculation of assets under management (AUM).
- Obtain performance reporting that covers all assets, not just a portion.

By assessing each client situation in advance of the annual meeting, they were able to customize a story that really resonated. While the program has only been underway for about six months, almost 60% of the clients the firm has approached have agreed to go ahead. By the end of this year, they expect to have completed conversations with all of their clients.

“Our clients really find value in the added service. They get to see how their entire portfolio is performing with ByAllAccounts.”

**John Valentini, CCO, Senior Operations Analyst,
Altfest Personal Wealth Management**

The actual mechanics of billing are very simple and everything is done internally using the firm's PMS:

- Fees on a 401(k) are taken from a brokerage account held at one of their two custodians. They simply prepare a fee file and upload it to the custodian and funds are moved to the firm's business account.
- In the rare instance when an appropriate brokerage account is not available, the firm sends an invoice to the client.

The typical billing scenario for Altfest clients involves a reduced fee due to limited investment options in 401k's. In the less common scenario where clients are afforded unlimited investment options, the standard fee applies.

Look to Retirement Assets to Drive Growth

Fairlane Investment Advisors, Inc. is located in the heart of Dearborn Michigan and has been serving employees of Ford Motor Company for many years. Since a large portion of client assets are held in retirement accounts, providing advice and billing on these accounts has been a key element of the firm's growth strategy.

At one point in time, Fairlane provided financial plans and charged a fee that included advice on retirement accounts. When they decided to move to a new billing structure based on AUM, they held a series of seminars outlining the benefits of modern portfolio theory and their asset allocation program to demonstrate the importance to clients of having regular professional oversight on all of their assets, including those held in defined contribution plans.



“Before ByAllAccounts, four or five people would put in a lot of hours gathering client information from 401(k) websites to enter into our PMS.”

Joseph Kubic, Senior Portfolio Manager,
Fairlane Investment Advisors

Initially, obtaining information to bill on this portion of a client's portfolio was an extremely time consuming effort. A team at Fairlane would begin inputting as much information as possible during the quarter, and then finish the work when the quarter ended.

Today they use ByAllAccounts account aggregation technology which is integrated with billing services provided by Orion Advisor Services, offering an automated, end-to-end process.

- Orion receives real-time market values on retirement assets from ByAllAccounts.
- They apply the fee schedule for each account provided by Fairlane.
- Fairlane then sends an electronic billing file to their custodian.

Since their custodian is familiar with the firm's business model, they understand that fees being deducted may be somewhat higher than normal.

Efficient Billing at Orion Advisor Services, LLC

Orion's billing technology is integrated with ByAllAccounts account aggregation technology. This simplifies quarter-end processes for held-away assets, automatically generates fee files for upload to multiple custodians, and enables firms to easily track receivables and payables.

Advisors provide their fee and payout schedules to Orion and each billing period they receive two reports:

- (1) Fee lists for each preferred billing method. Direct with custodian, check pay, ACH and credit card as examples. These methods work for held away and non-held away assets.
- (2) Payables report. This report allows the advisor to efficiently track how to pay different entities that the advisor may have agreements with. Broker dealers, representatives and sub-advisors as examples.

Billing methods for held-away accounts supported by Orion and ByAllAccounts are distributed as follows:

- 56% through indirect accounts (i.e., not the held-away account but another at the client's/ advisor's custodian)
- 19% through direct accounts
- 14% by check
- 7% by credit card

Today defined contribution assets represent about half of the firm's AUM. "It had been more," said Joseph Kubic, "but many clients have rolled their monies into IRAs with us. We aim for a continuity of account management from pre-retirement, into and through retirement."

Tell Clients It's How You Do Business

World Equity Group is an independent broker-dealer based in Arlington Heights, IL that offers Compass Active Tactical Management, a managed account platform, to their affiliated representatives. The platform is positioned as a comprehensive offering for both taxable and defined contribution accounts.

"Our current process eliminates the need to do things manually and possibly have errors."

**Shannon Hull, Investment Advisory Specialist,
World Equity Group**

Again, the process is straightforward:

- At the outset, clients sign an advisory services agreement which includes authorization to bill on held-away accounts along with instructions on which accounts to use to deduct fees.
- Billing is done quarterly at the household level for all AUM, and there is a tiered fee schedule with rates declining at several break points as AUM increases.

- Orion Advisor Services is the outsourced provider used to automate the billing function. As with Fairlane, Orion obtains market value information from ByAllAccounts, applies World Equity's fee schedule, and sends files to World Equity to upload to their different custodians.
- Custodians then sweep fees from brokerage accounts into the firm's business account.
- World Equity Group then uses the Orion payables report to manage the payouts to their representatives.

Shannon Hull says that, "while some custodians may ask you to upload files and others prefer that you email the information, the overarching models are essentially the same, which makes it very easy."

Don't Be Left Behind

It is clear that the tide is beginning to turn on managing and billing on held-away assets. Time consuming and error-ridden manual tasks are simply becoming a thing of the past.

With account aggregation technology offered by ByAllAccounts, advisors can receive reconciliation-ready data each day on held-away assets and have positions, balances, transactions, and securities loaded directly into their PMS of choice to support comprehensive performance reporting. Whether using internal capabilities or relying on outsourcers, billing files can then be easily prepared to upload to custodians. And, seeing more fees for held-away assets being pulled from brokerage accounts, custodians understand the process as they do their own due diligence.

Don't be left behind. Now is the time to capitalize on the size of the retirement market and grow your firm by providing clients with advice on all their assets

For more information on the companies mentioned in this paper:

- **Alftest Personal Wealth Management**

<http://www.altfest.com>

- **Fairlane Investment Advisors, Inc.**

<http://www.fiai.com>

- **World Equity Group**

<http://www.worldequitygroup.com>

- **Orion Advisor Services LLC**

<http://www.orionadvisor.com>

Read Other Papers in ByAllAccounts' SMART Decisions Series

➤ **MAKE A SMART DECISION — Simplify Your Advisory Business:** You wouldn't use an abacus for performance measurement. Why aggregate financial account data mentally or manually?

➤ **MAKE A SMART DECISION — Attract HNW Clients by Adhering to the Fiduciary Standard:** Seize the fiduciary standard as a growth opportunity.

➤ **MAKE A SMART DECISION — Gain a Greater Share of Assets:** Will it be a Baby Boom or Baby Bust for you? Five ways to increase AUM by managing your clients' retirement assets

MAKE **S M A R T** DECISIONS

A monthly educational series for financial advisors

ByAllAccounts is committed to helping you make smarter decisions for practice, your clients and yourself. We have created an educational series based on the experiences of financial advisors who have made smart decisions to solve business problems. Each month it offers a bundle of educational material you can read or watch at your own pace, that addresses a specific problem.

Simplify

How can I simplify/streamline my business so I can spend more time with clients?

Marketing

How do I get more, and more profitable, clients?

Asset Growth

How can I gain a greater share of wallet (i.e., assets under management)?

Revenue Growth

What can I do to increase revenue?

Time Management

How can I spend my time more efficiently and effectively?