

Your Tech Ecosystem

Optimizing technology to help enhance your bottom line

Choosing the right technology is critical to improving your firm's productivity and efficiency, growing your business, and boosting your profitability. The challenge for many independent financial advisors is figuring out which digital tools belong in their tech ecosystem, making sure they are properly integrated, and learning how to use them most effectively.

Unfortunately, advisors often fail to get the most benefit out of their investment in a tech ecosystem. This can be due to several factors, such as different components not integrating well and new components not working seamlessly with the advisor's current platform. This can lead to frustration and buyer's remorse as advisors end up having to perform manual workarounds that decrease efficiency and productivity.

You can avoid this dilemma by reviewing and understanding your current tech ecosystem to determine where there's room for improvement and how manual tasks can be automated. Based on your findings, you can build an optimized technology ecosystem that's designed to meet the specific needs of your firm and your clients.

With such an ecosystem in place, your firm will be best positioned to meet the needs of an ever-evolving financial services marketplace while also improving internal efficiency and profitability. Choosing the right digital tools for your tech ecosystem can also give you an advantage over other advisors in today's increasingly competitive environment.

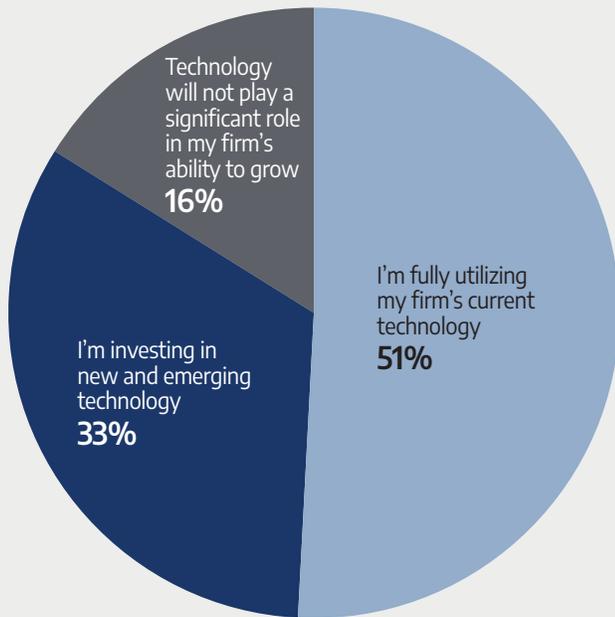
Why and how advisors use technology

In a research report by InvestmentNews titled "Digital DNA 2.0," independent financial advisors cited improved workflows and creating efficiencies as their top consideration when building their tech ecosystem. Improved client outcomes and integration with other firm technology were also listed as top advisor considerations.¹

The report identifies "tech accelerators" as advisory firms that are at the forefront of technology investments for their firm and the most likely to be early adopters of new technology. These tech accelerators are investing more money in technology and are growing faster than other advisors, according to the report.

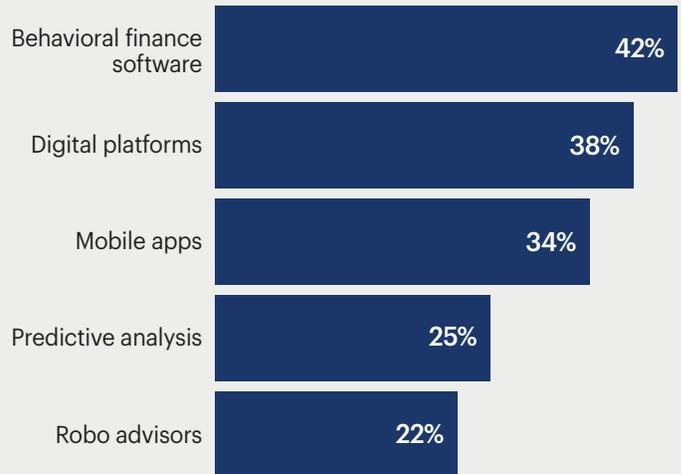
Tech accelerators pay attention to ways they can improve the client experience through an enhanced technology platform. They leverage more client-facing technology (77%) than other advisors (56%). About a third of tech accelerators are using fully digital account opening tools (36%) and client video-chat software (39%) as well.²

Technology and RIA growth plans



Source: "Digital DNA 2.0: How Advisors Can Maximize Trends in Advisory Technology," *InvestmentNews* report sponsored by Oranj, 2020.

What advisors believe will most likely change wealth management over the next few years



Source: *Financial Planning's* 2019 Tech Survey⁴

When it comes to building a tech ecosystem, the primary consideration of nearly half (44%) of all tech accelerators is improving outcomes for their clients. In contrast, only a quarter (24%) of other advisors listed this as their primary technology consideration. Tech accelerators also strongly consider how technology can help them improve workflow and efficiency (38%), while other advisors place a greater emphasis on the cost of new technology (27%), its integration with other technology in the firm (25%), and its functionality and features (20%).³

What is a tech stack and why do you need one?

Your tech ecosystem, also sometimes referred to as a tech stack, is the suite of digital tools you use to perform a wide range of functions for your advisory business. Advisors' tech stacks range from the simple—for example, Excel spreadsheets, a trading platform and a customer relationship management (CRM) system—to the sophisticated, where the advisor may also incorporate financial planning, investment management, account aggregation, and risk management software.

These digital tools offer a wide range of benefits to advisors and can help you:

- **Increase efficiency and boost productivity.** Technology tools enable you to automate many manual chores, freeing up staff to focus on more productive tasks.
- **Enhance profitability.** Since you are spending less time on manual tasks, you and your staff can concentrate on work that helps boost the bottom line.
- **Improve client service.** Technology tools can help you respond to clients faster and with more complete information, so clients don't have to keep coming back again and again.
- **Boost client satisfaction and retention.** Providing a higher level of service results in happier clients who are less likely to leave your firm.
- **Gain a competitive advantage.** Having the latest cutting-edge technology tools can position your firm favorably when compared to other advisors who may not be using these tools.
- **Increase firm value.** All the above benefits can boost the overall value of your independent financial advisory firm.

Top Advisor Technology Trends

A recent Financial Planning Tech Survey identified several trends related to advisor technology, including the following:⁵

- Advisors are moving away from desktop and server-based tech systems toward modern cloud-based tools, especially in the CRM space.
- There's growing use of tablets and smartphones among advisors in their business, with 59% now saying they use tablets (up nine percentage points in a year) and 87% saying they use smartphones (up seven percentage points in a year).
- Smaller firms and independent RIAs are more likely to use social media in their business than large firms (perhaps because they have more control over compliance policies).
- While nearly half (43%) of advisors say they evaluate technology based on its price rather than features, firms that invest more in technology enjoy higher satisfaction ratings.

What makes up a tech ecosystem?

Here are five of the most common components found in an independent financial advisor's tech stack today:

1. CRM software. A customer relationship management (CRM) tool keeps track of all your clients and prospects and your interactions with them. Your CRM system stores contact information—such as home and cell phone numbers and email and postal mail addresses—in one easy-to-access database, along with personal details like your clients' birthdates, hobbies, and interests.

74% of financial advisors use a CRM system.⁶ A good CRM system will allow you to automate many everyday tasks and improve your analytics and reporting. It will also integrate different sources of advisory-specific data and enable tracking of your clients' and prospects' social media activity while blending with your email program to make client communications more seamless.

2. Financial planning software. This tool allows you to collect and input client data and project their financial future based on this information and different "what-if" scenarios, such as market crashes or the early death of a spouse. This makes it easy to create a comprehensive yet customized financial plan

for each of your clients quickly and efficiently. 73% of financial advisors use financial planning software.⁷

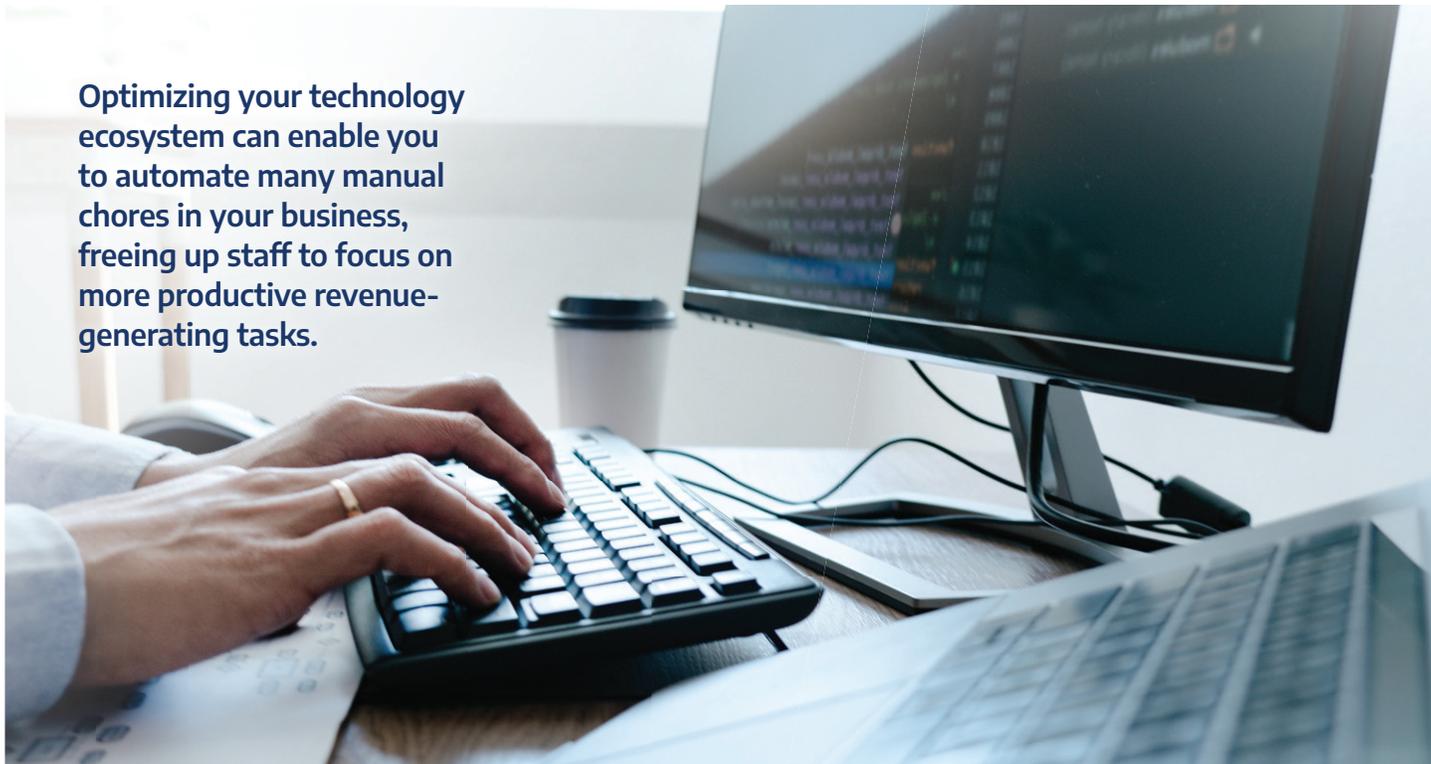
According to an annual survey conducted by T3 Consulting Services, which consults with advisors about technology trends in the industry, CRM and financial planning software are the top two technology tools used by financial advisors.⁸

3. Portfolio management software. This tool offers a digital solution for client portfolio management. It enables automated account rebalancing and billing while providing reporting tools that make it easy to measure investment performance and present this to clients.

Traditionally, portfolio management systems were designed for enterprise-level firms with multi-faceted needs. Recently, however, simpler and less-expensive programs have been designed with smaller advisory firms in mind. 68% of financial advisors use portfolio management software.⁹

4. Account aggregation software. This tool gathers information from your clients' accounts at different financial institutions and presents it along with custodied assets on a single consolidated platform. Many different types of client financial data are collected and updated daily, including bank account balances, balances in held-away investment accounts,

Optimizing your technology ecosystem can enable you to automate many manual chores in your business, freeing up staff to focus on more productive revenue-generating tasks.



and outstanding balances on credit cards and home equity loans.

Using account aggregation software can help simplify client review and analysis, as well as accelerate new client uploading, improve access to client data, and simplify operations. The result is improved overall client advice and service. 63% of financial advisors use account aggregation software.¹⁰

5. Risk management software. This is often paired with financial planning software to help ensure that clients' true risk tolerance matches the level of risk in their portfolio. It can be especially useful when onboarding new clients since you can't always be sure that their previous advisor was diligent in aligning their portfolio with their risk tolerance level. 49% of financial advisors use risk management software.¹¹

Here are a few other technology solutions that can boost efficiency and improve your client experience:

- **Portfolio rebalancing tools.** These handle portfolio rebalancing automatically, which reduces the amount of time you must spend crunching numbers and pouring over spreadsheets.
- **eSignature tools.** These eliminate the need for clients to make a special trip to your office just to sign documents,

or for you to have to print and mail documents to clients for their signatures, along with a return envelope and postage.

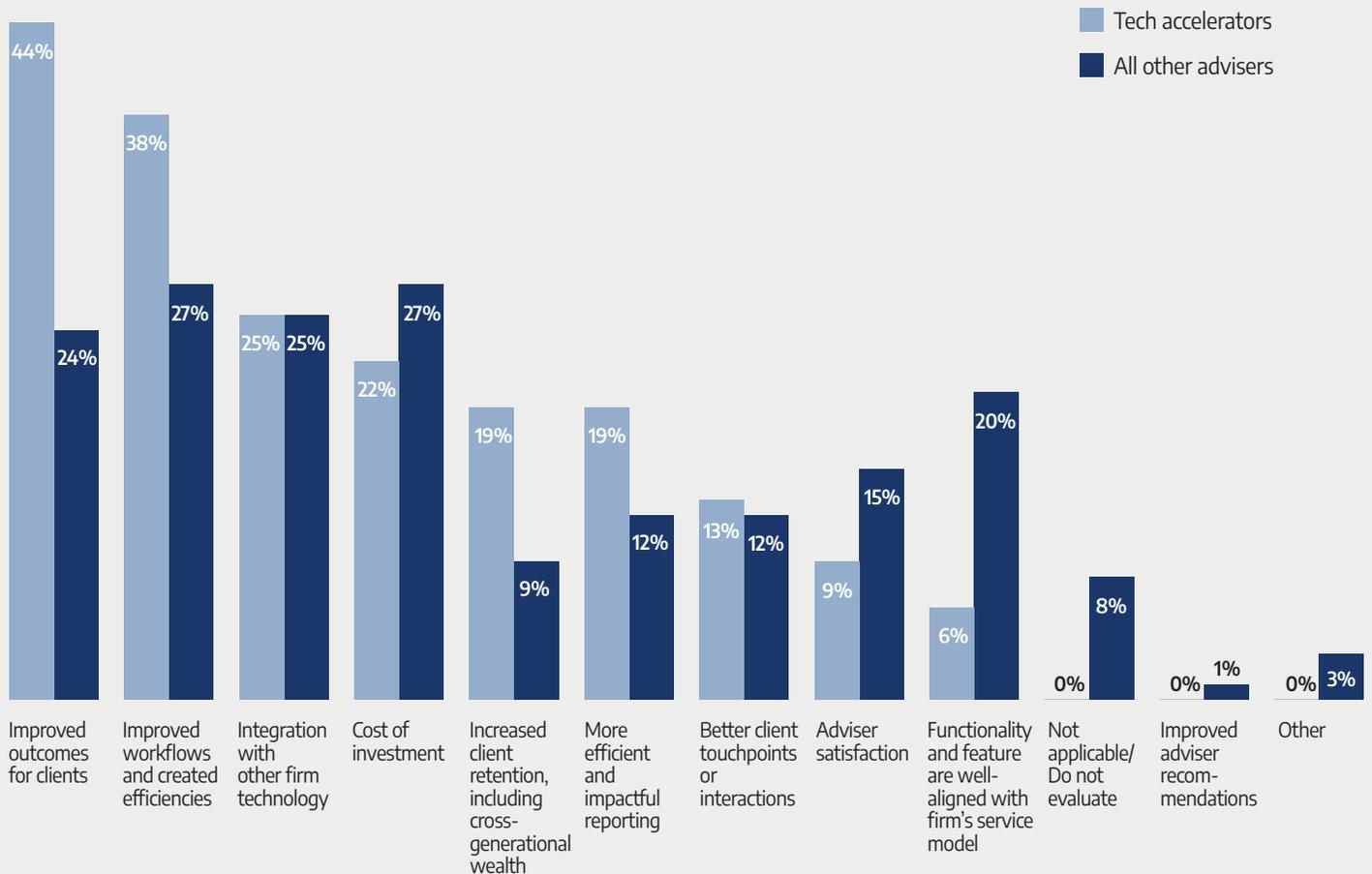
- **Client-facing web portal.** This gives clients single sign-on access where they can view all their account information, as well as details like outstanding debt, the value of life insurance policies, and total household net worth.
- **Tax optimization software.** This can help you maximize after-tax returns by helping your clients realize the tax benefits of various types of investments.

What tech components do you need?

Not every firm needs to include every piece of advisor technology in its tech stack. Each digital tool in your tech stack should play a specific role in strengthening your practice, improving client service, and boosting profitability.

So how do you decide what are the most important components for your tech stack and whether improvements to your tech stack should be made? Start by identifying the specific technology needs of your firm and your clients. For example, practically every advisory firm today needs at least a basic CRM system. The larger and more

Top Considerations When Evaluating Technology Investments – Tech Accelerators vs. the Average Advisory Firm



Source: “Digital DNA 2.0: How Advisors Can Maximize Trends in Advisory Technology,” InvestmentNews report sponsored by Oranj, 2020.

sophisticated your firm is, the more advanced CRM system you will need.

Also determine what your inefficiencies are. For example, if you and your employees are spending an excessive amount of time on manual tasks and workarounds, you should implement technology tools that can automate these tasks and processes. Financial planning and portfolio management software are especially valuable tools for streamlining and automating tasks that are critical to the success of your clients and your firm.

It is often a good idea to get feedback from employees and other advisors about which tech tools your firm should use. For example, your employees are the ones on the front lines who handle many of the tasks performed each day to serve

clients and meet their needs, so they’re in a good position to provide valuable input about which tech components may (and may not) be most useful. Other advisors can provide hands-on feedback regarding which technology tools have been the most beneficial for their firm.

Your clients can also offer valuable feedback regarding how your firm can use technology to communicate with them most efficiently. Client feedback can be especially useful when you consider that financial advisors often build their tech stack based on processes that can scale their practice. After all, providing financial advice is a process-driven business so it’s not surprising that advisors tend to choose technology tools that facilitate client segmentation and scalability—but not necessarily improved client service.

In addition to viewing your tech stack from a process standpoint, it might make sense to also view it from the perspective of your clients. Most clients choose to work with an advisor based on their personal relationship with him or her, the level of service provided by the advisor, and the degree of portfolio and financial planning customization provided.

With technical advances across industries, clients are now conditioned to expect more from their financial advisors technology-wise than they did in the past. So ask yourself: Are your tech tools making it easier, or harder, for you to strengthen client relationships, deliver a high level of service, and offer customized financial planning? You should choose components for your tech stack with this question top of mind.

Evaluating your current system and ensuring proper integration

How can you evaluate your current technology ecosystem? Start by taking a critical look at each technology component you are currently using and asking whether it's working for you as intended. Also analyze whether you are fully utilizing

all the features of your existing tech tools. Many advisors barely scratch the surface of all the capabilities offered by tech tools because they and their staff haven't been properly trained in how to use them.

Based on your findings, you may decide that some of your existing tech tools aren't meeting your expectations. If so, now is the time to reimagine your technology ecosystem and rebuild it with tools that boost efficiency, automate processes, and improve the client experience.

For example, could you spend less time manually rebalancing your clients' portfolios, thus freeing up more time to spend on strategic planning with your clients? Could you save time for your clients and your firm by conducting more meetings virtually using video conferencing software? Or could you improve the client experience by adding a client-facing portal to your firm's website?

It's also important to ensure full integration of all the different components of your tech ecosystem. In other words, do all of your technology tools work together smoothly and seamlessly? API integration is critical because you may fail to capture all the benefits technology has to offer if the different



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components of your tech ecosystem aren't integrated. Make sure your technology vendors understand which components their tech tools need to integrate with before making any final decisions about buying new components.

Building a flexible tech ecosystem

Over time, the technology needs of your firm and your clients are likely to change. Therefore, it's important to build flexibility into your tech stack so you can be nimble and respond to these changing needs when the time comes. In particular, you don't want to commit to long-term contracts that can keep you locked into tech tools that no longer meet the needs of your clients or your firm down the road.

Here are a few questions to ask before purchasing or making a long-term commitment to specific tech stack components:

- Will this tech tool be useful five years from now—or even two years from now?
- If not, can it easily be replaced or upgraded?
- Do we really need all the features and functions the tool offers, or could we get by with a cheaper and more basic version that provides greater flexibility?
- Are there free or lower-cost solutions that would work just as well for us without having to commit to something that might be obsolete in a few years (or sooner)?

Once a year, you should conduct a formal review of your firm's technology needs and how well your tech stack is or isn't meeting them. As you do, keep in mind that vendors may introduce changes to technology tools that reduce their relevance or usefulness to your firm and make it harder to derive value from them. When this occurs, it's time to start investigating other options and to update your tech ecosystem as necessary.

Boost efficiency... and your bottom line

There's no getting around the importance of technology when it comes to running a successful advisory firm today. According to the "Digital DNA 2.0" report, the firms that are anticipating the most growth in the future are also the ones that are spending the most money on technology—especially in areas that improve client outcomes.

The key is building a tech ecosystem that includes the right technology tools for your firm and clients. Take the time now to analyze your technology needs and review your current platform to see how well it's meeting them. Then make any changes necessary to ensure that your tech stack is designed to maximize efficiency and boost your bottom line.

1 "Digital DNA 2.0: How Advisors Can Maximize Trends in Advisory Technology," InvestmentNews report sponsored by Oranj, 2020. <https://info.runoranj.com/digital-dna-2>

2 Ibid.

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4 Sean Allocca, "Tech Survey: Advisors' Favorite Tech Tools," Financial Planning, 2019 Tech Survey, <https://www.financial-planning.com/list/financial-advisors-top-technology-tools-financial-planning-tech-survey>

5 Kayan Lim, "FP Tech Survey: 10 Essential to Know," Financial Planning, 2019 Tech Survey, <https://www.financial-planning.com/slideshow/fp-tech-survey-10-essentials-to-know>

6 "Digital DNA 2.0: How Advisors Can Maximize Trends in Advisory Technology," InvestmentNews report sponsored by Oranj, 2020. <https://info.runoranj.com/digital-dna-2>

7 Ibid.

8 Andrew Osterland, "Technology Helps Advisors Take Financial Planning to the Next Level for Clients," CNBC, May 30, 2019, <https://www.cnbc.com/2019/05/30/technology-helps-advisors-take-financial-planning-to-the-next-level.html>

9 "Digital DNA 2.0: How Advisors Can Maximize Trends in Advisory Technology," InvestmentNews report sponsored by Oranj, 2020. <https://info.runoranj.com/digital-dna-2>

10 Ibid.

11 Ibid.

Axos Advisor Services can help you optimize your technology

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- A steady, ongoing process of innovation to provide new functionality.
- A responsive roadmap that continuously incorporates advisor feedback into our evolving suite of technology solutions

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