ORION ADVISOR TECH

EBOOK

Using Technology to Power Your Fiduciary Process

Introduction

You likely already know what it means to be a fiduciary: always acting in your clients' best interests with discretionary authority over their assets. That includes making investment decisions that are right for your client, even if they result in reduced or no compensation for you.

Fiduciaries are expected to fulfill a "duty to care," which means continually monitoring client investments and performance; making sure their investment advice is given based on accurate, complete information; and placing trades under a "best execution" standard — that is, with the best combination of low cost and efficient execution.

Complying with the SEC's fiduciary standard can seem overwhelming, even when you genuinely have the best intentions for your clients.

What's more, because every advisory firm is held to the same fiduciary standard, that standard alone is no longer enough to differentiate your business.

That's where technology comes in. Not only does the right technology support and enable your fiduciary process, but it also gives you the tools you need to set your firm apart.

For example, tax-efficient rebalancing software empowers you to take quick action on tax-loss harvesting opportunities and offer alerts for out-of-tolerance portfolios, helping to take care of your ongoing monitoring due diligence task on the back end.

Technology also makes direct indexing a more accessible process for all clients, not just the high-net-worth investors it had typically been reserved for. And through direct indexing, advisors are more easily able to take their clients' ESG (Environmental, Social, Governance) considerations into account when building their portfolios, which can be a true differentiator for a firm.

In fact, technology goes a long way toward enabling each step in the fiduciary process. But the first step in developing a relationship based on your clients' best interests is identifying and prioritizing the unique financial goals that will guide your investment advice.

ACCORDING TO THE SEC, THE FIDUCIARY DUTY INCLUDES:

- **Acting with undivided loyalty and utmost good faith**
- **Providing full and fair disclosure of all material facts, defined as those which "a reasonable investor would consider to be important"**
- **Not misleading clients**
- **Avoiding conflicts of interest**
- **Not using a client's assets for the advisor's own benefit or the benefit of other clients[1]**

[1] "What Is a Fiduciary Financial Advisor? - US News Money." 21 Mar. 2018, https://money.usnews.com/investing/investing-101/articles/what-is-a-fiduciary-financial-advisor-a-guide-to-the-fiduciary-duty. Accessed 17 Dec. 2019.

[2] "Fiduciary Definition - Investopedia." 25 Jun. 2019, https://www.investopedia.com/terms/f/fiduciary.asp. Accessed 17 Dec. 2019.

Why Are Investment Goals a Critical Starting Point?

Beginning a relationship by discussing investment goals with your client helps to establish trust as the foundation for that client's experience. And this type of trust is critical for the advisor-client relationship.

Consider the fact that your clients are giving you discretionary authority over their assets. The buy/sell decisions you make are executed without their express consent, so it's imperative that your clients have complete confidence and trust in you as a fiduciary.

Since financial planning by nature starts with determining investment goals, the planning process itself helps to build confidence and rapport by driving meaningful conversations about your clients' futures, what they value, what they're hoping to gain from working with you, and how you can best keep them on track. And doing so has tangible benefits. In fact, a recent Morningstar study found that a goals-based financial planning framework led to an increase of more than 15% in client wealth[3].

But financial planning doesn't just benefit clients. Advisors who offer financial planning services have greater AUM and compensation than their peers who do not, according to a 2015 Fidelity Financial Advisor Study.

[3] "Behavioral Nudges for Goals-Based Financial Planning ...." 12 Dec. 2018, https://www.morningstar.com/blog/2018/12/12/goals-based-planning.html. Accessed 19 Dec. 2019.

How Can You Simplify Financial Planning?

Historically, barriers to financial planning have included expensive and/or complicated software, a traditionally manual and time-consuming information gathering process, and planning concepts that are difficult to master and execute.

But the value of a financial planning offering for both advisors and clients, especially as clients are demanding more personalized service, can't be ignored. It's imperative to find a way to simplify the process without diluting its many benefits.

If you already provide financial planning:

Maybe you already offer full-time financial planning. If you do, you've probably already seen the positive effect it has on both your clients and your firm. But it may be time to re-evaluate the technology you're using for your offering. Is it simple enough for your clients to use, but robust enough that it allows you to make the connection between investment selection and progress toward goals?

Or maybe you want to make planning more of a focus at your firm. With everything else advisors have to juggle — maintaining client relationships, staying on top of compliance requirements, running reports, attracting new business, the list goes on — it can be difficult to find the time to grow your financial planning offering as well. Technology can make that process simpler, especially if your financial planning tech integrates seamlessly with the rest of your business to create a holistic experience.

If you're not currently planning:

Some advisors are hesitant to introduce financial planning as part of their business offering, since the process itself has traditionally been time-consuming or operationally inefficient. Others may still be overcoming the misconception that planning requires CFP® level competency, and can only be offered as an expensive, comprehensive experience—one their clients won't go for.

But financial planning has come a long way, largely thanks to technology.

The right technology makes financial planning streamlined, intuitive, and customizable for both advisors and clients. And involving your clients in the planning process is critical for helping to establish trust — so it's important that they feel comfortable working within your financial planning tool, especially when it comes to setting up their financial goals.

If you consider investment management, not financial planning, your area of expertise, financial planning can still strengthen your investment management offering. As investment management becomes more and more commoditized, advisors must find a way to continue offering value to their clients beyond traditional stock picking. Technology does the work of streamlining a classically tedious financial planning process into manageable steps while also filling in some of the potential gaps in expertise.

THE BENEFITS OF FINANCIAL PLANNING TECHNOLOGY

The purpose of technology is to increase both efficiency and accuracy, allowing advisors to work with confidence and to spend less time on back-office operations. Financial planning technology takes those benefits a step further by helping to engage clients in their own financial outcomes.

Financial Planning Technology:

Gives Advisors More Time by digitizing and automating the traditionally manual process of collecting and analyzing client information

Engages Clients in their financial futures by making their investment goals the focal point of advisor-client conversations

Creates Realistic Client Expectations through the use of Monte Carlo simulations and What if scenarios

Connects Investment Decisions with Progress Toward Goals to help advisors articulate their value

Tech-Enabled Fiduciary Process: Beyond Planning

Client goals are the foundation of any successful financial planning endeavor. They're more than just a critical starting point: they inform investment selection, rebalancing decisions, and savings management. And by connecting progress toward those goals with your investment decisions, you can "show your work" and prove your value to your clients.

Ideally, your financial planning technology will make it easy for you to keep your clients' goals at the forefront of the planning process. Here's what that looks like with technology to support each phase of the planning process.

Goals-Driven Workflows:

These digitally-driven on-boarding questionnaires should be short, simple, and engaging, and provide clear prompts to help clients not only determine their financial goals— such as retirement, debt management, home purchase, and education—but also show how well they are positioned to achieve them.

Net Worth/Resources:

Understanding the resources your client is working with when they come to you is critical for developing a roadmap for meeting their goals. Technology encourages you—and your clients—to fill in their full financial picture, creating a single comprehensive view of all income sources, expenses, cash flow reports, and balance sheets, even for those assets held-away.

Risk Assessment:

To act in your clients' best interests, it's imperative to know how much risk they can tolerate. That means going beyond guessing and assumptions and asking questions that will give you a concrete answer, so you can do your fiduciary duty and align their portfolios with the correct risk bands.

A risk tolerance questionnaire tied in to your financial planning platform will keep all of the data you need in one place. And if the questions are worded simply— just like the goals-driven workflows should be — your clients should be able to fill out their risk tolerance assessments without requiring too much guidance from you.

Model Allocation Selection:

Your client's risk score will determine their model allocation — and technology should make that allocation easy for you by automatically assigning models that correspond to their risk score.

Visualize Success:

Technology is an amazing way to take the client experience to the next level. Within your financial planning platform, you should have the ability to run What If scenarios and use Monte Carlo simulations to determine, based on different variables, if your client's goals will be funded or not. Showing clients these simulations graphically helps to better engage them in their financial outcomes.

Take Action:

To take client experience further, technology should go beyond the "what" and show you and your client the "how." A financial planning platform that includes action steps for the advisor and client will help you both determine the best way forward to ensure that client goals are met.

Make Connections:

Financial planning technology can't live in a vacuum. In order to truly show your clients that your investment selections are driving progress toward their goals, it must fully integrate with your portfolio management technology to create a completely collaborative, holistic experience.

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Truly acting in your clients' best interests means understanding those interests and investment goals, and structuring your relationship, conversations, and investment decisions around the best way to meet them. To do that — and fulfill your fiduciary responsibility — you need powerful, intuitive technology that empowers you to execute goals-based planning, engage your clients, and prove your value as an advisor.

To find out how Orion's Financial Planning technology powered by Orion Planning offers the capabilities you need to connect client goals with performance data, improve client relationships, and make aspirations a reality, contact us today at financialplanning@orion.com.

NOT WORKING WITH ORION YET?
LET'S CHANGE THAT!

Contact us to learn more about how our full suite of advisor technology solutions, including our robust financial planning tool, can help you operationalize your vision for success: empower@orion.com.

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