



Adviser Technology

Account Spyware Your Clients Will Love

Joshua Lipton

When Bob Kresek first started out as a financial adviser 14 years ago, he spent a lot of time chasing down data. Information on clients' assets was spread out across a large set of data providers, and a big part of his job entailed tracking it all down. This took a lot of time. In fact, a good 20% of his workweek back then, he says, was spent just trying to pull together all the financial information about his clients from so many different sources.

"It required a lot of manual work," says Kresek, who is now managing partner of Cupertino, Calif.-based Founders Financial Network. "It was very time consuming."

Those days are over. Today, Kresek grabs all that data with an account aggregation service called ByAllAccounts. It pulls together and updates all of the investment account balances and holdings of clients every 24 hours.

For example, a client may have stock, bonds and mutual funds with the broker but variable annuities at an insurance agent, and IRAs or a 401(k) with, say, Fidelity. The client may also have money in hedge funds or real estate. Account aggregation services consolidate and organize all this financial information in one secure location.

For Kresek, this is technology he's grown to depend on. "In the past, the best we could do was update data on a monthly basis," he says. "Now we have daily downloads of transactions. The data are much more up to date, and we can serve our clients a lot better."

The effective management of assets requires an adviser who has a complete view of a client's real-time, total financial picture. This also comes in quite handy for helping to pull more of those assets under the adviser's management.

Advisers say that account aggregation service saves them time and money, making them better wealth managers and improving the efficiency of their operations--no small consideration during these tough times. No wonder that some account aggregators now report a doubling of their customer base in just the past 12 months.

ByAllAccounts and CashEdge are today's two most popular account aggregators serving financial advisers. Both vendors offer technology that comes with its own unique strengths and weaknesses, say industry analysts, and the decision about which vendor to pick depends on the task that the wealth manager wants to accomplish.

Woburn, Mass.-based ByAllAccounts is the smaller of the two. Founded in 1999, it zeroes in exclusively on the adviser market, specifically catering to wealth management firms and family offices. Half of all of ByAllAccounts' clients are registered investment advisers, and most serve high-net worth clients with between \$1 million and \$10 million in assets.

Alois Pirker, senior analyst at independent research and advisory firm Aite Group, notes that **ByAllAccounts' aggregation process focuses predominantly on investment assets like stocks, bonds and mutual funds, as opposed to more retail-oriented items like airline and reward miles. Eighty-five percent of its data points, says Pirker, are investment account data available from custodians.**

ByAllAccounts' real strength and specialty is the delivery of reconciliation-ready information to portfolio management and accounting systems. In other words, the company is good at gathering data and putting it to use right away. ByAllAccounts' technology fills in missing pieces, completing and standardizing the data so it can be seamlessly fed into third-party systems.

If an adviser chooses to go with ByAllAccounts, he pays an annual fee of around \$1,000, depending on the number of accounts, number of custodians and types of accounts. Pirker says advisers should be aware that ByAllAccounts offers only a quarter of the data sources (3,000) available through other vendors. ByAllAccounts CEO James Carney says this isn't a drawback because his company's investment data appeals to high-net worth advisers and isn't aimed at retail users.

"We don't have clients worrying about airline miles and credit card stuff," he says. "The numbers aren't as important as the markets you are trying to serve and whether you have the coverage they care about. We do."

It's important for advisers to realize that ByAllAccounts does support the automated gathering of positions and transactions for options and other derivatives but doesn't offer delivery of reconciliation-ready information for those instruments. Also, there is no 24-hour customer support available. If you have trouble, you better have it between 8:30 a.m. and 5:30 p.m. on the East Coast.

ByAllAccounts has its fans among small registered investment adviser firms, particularly for its cost. **"You get a solid product for a low price,"** says Pirker.

Rival CashEdge is a more general-purpose account aggregation vendor that addresses the needs of both advisers and individual investors. Pirker notes that CashEdge offers one of the largest sets of data sources available in the industry, 11,000, including banking, investment, retirement, insurance, credit card and mortgage information as well as life insurance, annuities and real estate investment trusts.

This way an adviser or individual investor who used the software would be able to detect if, say, a spouse was running up large MasterCard bills.

CashEdge acts as the guts of several popular wealth-management applications like eMoney Adviser, Albridge Solutions and MoneyGuide Pro. It provides extensive automated integrity tests of the data as well as 24/7 customer support.

Criticisms of CashEdge include the fact that there's limited customization available for advisers, say analysts. "You are using a big, big engine that sends you data," says Pirker. "This is made for large volume. Customization isn't their forte, like it is with ByAllAccounts. There, it's a smaller vendor, and they can more easily tailor their offering to the specific requirements of a particular adviser."

Implementation generally takes an astounding eight to 12 weeks. Pricing includes a one-time license fee for customization and setup. On average, customers of Cash Edge pay an annual fee of about \$2,400, depending on data volumes and number of accounts.

Regardless of which vendor advisers choose, Pirker sees these companies as growing in popularity. Few consumers and advisers have this data at their fingertips, he says, meaning account aggregation is in demand again.

But not everybody is on board just yet. According to a recent survey released by *Financial Planning* magazine, 75% of advisers say they still aren't using aggregation software. What's the problem?

Tom Roberts, a senior vice president at CashEdge, says much of the limited popularity of account aggregation technology can be explained by its relative newness. Automated account aggregation only started becoming available to financial advisers about five years ago, he points out.

As advisers become more comfortable with the technology and recognize how much value it can add to the bottom line, Roberts says, he expects more to sign up. He's quick to note that 6,000 advisers now use CashEdge technology, which is double what it was last year.

A more serious worry holding some advisers back from exploring the technology is that they don't have full confidence in the quality of the data. Joel Bruckenstein, a certified financial planner and publisher of the newsletter [Virtual Office News](#), says advisers are concerned because they can't verify the data's integrity or know how the aggregators acquired it, whether it was through direct feeds or HTML parsing, otherwise known as "screen scraping." This is where vendors log on to Web sites of financial institutions and harvest the data. Advisers might feel as if the data aren't good enough to rely on for performing reporting.

Still, Bruckenstein says advisers who don't use this software are at a disadvantage, especially from a productivity standpoint. Even if they're uncomfortable using the transactional data for performing reporting, he says, they can and should be using the data for other purposes: to put together "live" balance sheets for their clients or to automate financial planning programs.

David Armstrong agrees. He defected last year from Merrill Lynch, along with four other Merrill brokers, to start Alexandria, Va.-based Monument Wealth Management. He had a lot of work to get done to build out the new business: renting office space, adding staff and, just as critical, choosing which software to use to manage client relationships.

Armstrong and his team turned to eMoney, which integrates CashEdge data into its solutions.

"When I was at Merrill Lynch, the only thing I could see and report on were the assets at Merrill," Armstrong says. "Let's say the client had a nice portfolio at Merrill and it was growing 8% per year. So everything looked great. But, away from Merrill Lynch, maybe the client was racking up liabilities that I couldn't see. Now I can see all of those things. I can look every day and tell clients whether they are on track to make it toward retirement based on their entire financial picture. It gives me broad visibility."

The biggest reason most advisers sign up for account aggregation is that it's a money saver.

"An adviser relying on manually typing in data, rather than an automated system, is being inefficient," says Bruckenstein. He points out that the independent adviser market enjoyed years of boom times, but now current economic conditions are making the job tougher. Wealth managers need to think about ways to cut costs and operate more efficiently. One way to do this will be to adopt account aggregation technology.

"This is a good opportunity for account aggregators to make their case," Bruckenstein says.