



KEY POINTS

- Lack of data integration can force a firm to adapt its workflow to fit software instead of having software support workflow.
- Several major custodians have launched data-integration initiatives.
- Long-term solutions are key because changing platforms is costly and difficult.

## Are We There Yet?

Data integration remains a problem, but things are changing for the better

BY ED MCCARTHY

**K**eith Amburgey, CFA, uses first-class software. His firm's applications include PortfolioCenter, SunGard, ExecPlan, Morningstar, other software for analytics, and BigContacts for client relationship management (CRM).

Each program excels in its functions, but as the chief investment officer at Rutherford Asset Planning in Cresskill, New Jersey, Amburgey has a problem—the programs don't share data easily, if at all. For example, clients' portfolio information is stored in PortfolioCenter. If Amburgey wants to use Morningstar's analytic tools on a specific portfolio, he must reenter the portfolio data in Morningstar or buy additional software that will enable the programs to communicate with one another. He faces the same problem if he wants to create a new asset allocation for a client. "If I want to have the detail of their current portfolio and show them the before and after, I have to re-key that or have someone on our team re-key that," says Amburgey. "That's obviously an inefficiency."



Keith Amburgey, CFA

The lack of data integration among financial advisers' applications is not a new problem. Many advisers would still agree with a report published in the June 1998 issue of the *Journal of Financial Planning*: "Many of the programs that planners use do not share data. Portfolio transaction programs don't link to financial planning programs, planning software can't share information with contact managers, and the information you need to analyze your business activities is scattered across multiple programs. The industry's electronic Tower of Babel has a direct impact on productivity as planners and their staffs are forced to reenter data in a variety of formats."

Almost 13 years later—a lifetime in technology development time—the lack of data integration is still a problem. Some applications, such as the custodial platforms and portfolio accounting systems, are tightly integrated, and larger vendors offer application suites with built-in data integration. When advisers venture beyond those applications, though, they're likely to encounter problems.

The challenges are surmountable, although they often require additional effort and cost. Individual advisory firms have developed customized systems to meet their

needs. Several software developers serving the wealth management industry have joined together in the Your Silver Bullet consortium to facilitate data sharing among their programs. Nonetheless, the industry is not yet where it needs to be, according to Joel Bruckenstein, publisher of *Technology Tools for Today* (a monthly newsletter for financial advisers). "I think the sticking point has always been that the broker/dealers and the custodians, to a large extent, have left the advisers to their own devices," he says. "There's been some integration, for an obvious reason, with portfolio management software, but even that, until recently, was pretty much limited to daily downloads—so you really didn't have true two-way integration and you didn't have real-time data."

The situation is changing for the better. Several major custodians have launched or announced data-integration initiatives. Programs from Fidelity and Pershing are operational. TD Ameritrade and Schwab have announced their plans and are implementing them. These custodians are taking different approaches, but their efforts are good news for advisers.

### Why It Matters

Each time data must be reentered into a program consumes staff time and increases the risk of data-entry errors. "On the broker/dealer side and the custodial side you get all these applications and transfer requests that are not in good order that end up going back and forth," says Bruckenstein. "That costs everybody a fortune and slows things up."

The lack of data integration can force a firm to adapt its workflow to fit its software instead of having the software support the workflow. It can also have a negative impact on client service when clients and their advisers must interact with different systems to access certain information.

"Integration gives real benefits to the investors, the adviser's clients," says Ken Golding, vice president of CRM developer Junxure in Palm Beach Gardens, Florida. "When a client calls the adviser and says, 'I want to write a check this weekend for x amount of dollars out of this account. Do I have that cash in there?'" the client doesn't have to wait for a callback. The adviser doesn't have to find the person who runs the portfolio management system. They simply need to get to that client (on the system), click on a button, and there's that data. That's been the key all along—having information available to the people who need it when they need it."

Nonintegration can limit an advisory firm's growth. Inefficient software requires staff to spend more time on accomplishing tasks. At some point employees cannot or will not work additional hours, which means the firm must hire more staff to support new clients unless it can boost productivity. This realization has influenced custodians and broker/dealers to get more involved with data integration, says Bruckenstein. "The custodians and broker/dealers have come to the conclusion that this really is essential for advisers and henceforth for them[selves]," he says. "If the advisers are inefficient, they can't gather as many assets or manage as many assets, and that hurts the custodians. If the custodians can make the advisers more efficient, they can handle more assets, and that's what the custodians and broker/dealers are all about: having more assets under management on the platform."

An adviser's workflow and productivity can improve when key functions are integrated, says Greg Friedman, president of advisory firm Private Ocean in San Rafael, California. Friedman is also president of Junxure, which he and Golding developed originally for Friedman's wealth management business. A workflow doesn't happen in his firm unless it's in Junxure. "Junxure really is the core of the business," he says. "Every single process that we do—from on-boarding new clients to financial planning processes to administrative processes to trading, as well as prospecting, marketing, everything—is handled and tracked in Junxure."

Friedman uses Junxure to link his core applications—PortfolioCenter, Worldox (document management), and Money Tree (financial planning). He has experienced several benefits from integrating his applications around Junxure. The first is more efficient workflow from repeatable processes that staff can follow consistently. It also improves managerial oversight. Friedman can monitor activities to ensure that nothing slips between the cracks. The system also allows him to see how staff spend time and to determine how to allocate operating costs. In today's environment, according to Friedman, if a wealth manager isn't running a good business, his ability to deliver high-end services consistently and profitably will be in question.



Greg Friedman

### Why It's Difficult

Given data integration's benefits to all parties, why isn't it the universal standard? It's partly because software developers follow different methods of modeling and defining data to fit their requirements. For example, a portfolio management system might lack the concept of a client because it's based on the concept of "accounts" instead. In contrast, CRM systems focus on people who are usually grouped into households. Consequently, mapping data between the portfolio manager and a CRM requires assumptions about where the data go.

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ERIC CLARKE

Programs frequently handle data fields differently, and those differences must be reconciled. Golding cites the problem of matching account types between financial planning software and the custodians' platforms. If the fields don't match perfectly, additional work will be required to move the data.

Determining which data set will be the master set is another hurdle. Although users may want two-way synchronization of data between their CRM and their custodian, that arrangement can be problematic. If a staff member changes a client's account numbers in the CRM and that change propagates back to the custodian's data set, it will wreak havoc. As a result, the software developers on both ends of the data integration must determine which program will serve as the master location for specific data fields.

Data integration also requires constant monitoring because software and business requirements evolve. Anthony Sperling, senior vice-president and general manager of Advent Software's investment management group, notes that Advent has relationships with more than 470 custodians around the world. Consequently, Advent must monitor and maintain 700–800 interfaces. Regulatory changes also require software updates, as with the upcoming implementation of cost-basis tracking legislation in the United States.

### Custom Development

Advisers can choose from several different approaches to data integration. One solution is to build custom software: design the system you want and hire a developer to build it. That was the approach Friedman took in 1986 when he hired Golding to develop Junxure. Friedman found that the available CRMs were sales oriented and lacked the functionality he needed. Golding built Junxure for Friedman's business, and as other advisers learned about the software, they expressed an interest in buying it. Today, the software has almost 9,000 users.

JMG Financial Group in Oak Brook, Illinois, developed its custom CRM in 1995, according to Don King, the company's chief information officer. At that time, each of the firm's advisers was selecting CRM software individually. Based on a desire for greater data security, flexibility, and integration, the firm hired a developer who worked to implement King's CRM design. The project took six months to complete.

Soon afterward, JMG began integrating its other core applications with the CRM. For example, the firm prepares tax returns with Intuit Lacerte software and designed an interface to move data from its Advent Axys portfolio accounting software to Lacerte. King estimates that the data integration saves the firm at least 1,000 hours of staff time each year. Other data integration projects included document management and a link between portfolio accounting and QuickBooks for the firm's internal accounting and billing.

#### Task-Specific Customization

Another option is to use a mix of pre-integrated software with customized interfaces as needed, which is the approach Rock Point Advisors took after starting operations in Burlington, Vermont, in June 2004.

The firm uses PortfolioCenter, Moxy (trade order management), Junxure, CAPS (for GIPS compliance), and MoneyGuidePro (financial planning). Some of the applications were integrated off-the-shelf, says Evan Pemberton, chief compliance officer and operations manager at Rock Point.

At Rock Point, an important link between PortfolioCenter and Moxy was missing. Pemberton says Rock Point was one of the first two firms in the country that wanted to integrate Moxy with PortfolioCenter. To integrate the two programs, an Advent technician spent a week onsite at Rock Point. "He and I worked very closely together to get the two [programs] to talk," says Pemberton.

One result of the firm's data-integration efforts was a reduction in the amount of time spent creating and distributing quarterly reports from 12 days to 6. Previously the firm's staff would generate reports from several systems and assemble the customized reports manually. Rock Point then invested in Assemblage, a program from Phoenix-based Trumpet Inc. that facilitates automated report creation. When this function was combined with an offer to deliver reports electronically to clients, the productivity gains were substantial, according to Pemberton.

Advisers who track clients' retirement plans—401(k)s, 403(b)s, etc.—can encounter difficulty collecting automated data on those holdings. Scott Keller, CFA, senior manager of investment advisory services with Truepoint Capital in



Evan Pemberton

Cincinnati, Ohio, says his firm's experience of manually tracking clients' plans was "painful" prior to integrating the data feeds. The firm now uses ByAllAccounts, an aggregation service that records the plans' transactions and performance in PortfolioCenter. Truepoint reviews the data and then exports it with the client's other data from PortfolioCenter to a secure client website that is designed to accept the data and show clients custom asset allocation reports with the firm's branding.

#### Your Silver Bullet

Another data integration option for independent advisers has been to work with software vendors that participate in the Your Silver Bullet initiative. The group started in March 2007 with the stated purpose of helping financial advisers create their own "silver bullet" by combining "personalized best-of-breed" technology solutions through the purchase of multiple software programs that can act in concert and share data. As of late 2010, 20 member firms were participating.

One of Your Silver Bullet's key efforts has been to standardize data definitions among its members' applications. The data standard can be used as a starting point or it can be used specifically to exchange data between the member companies that want to adhere to the specific format that's outlined, says Eric Clarke, president of Orion Advisor Services in Omaha, Nebraska, and Your Silver Bullet's data standards committee chair. "That framework has served a very useful purpose, as our member companies have been talking with each other and also nonmember companies about building data integrations. We have allowed free access to that data integration framework for both member companies and nonmember companies alike."

#### Enter the Custodians

Some of Your Silver Bullet's members are large companies, but many of them are smaller software companies that have constrained development capacities, says Bruckenstein. "They can't turn around and commit a huge amount of money to these things, nowhere near the amount that a Schwab or TD or Pershing can. It [data integration] only works at the end of the day if somebody is willing to invest money. Custodians have the money. They have, in some cases, hundreds or even thousands of programmers that can do this stuff."

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JOEL BRUCKENSTEIN

“The technology decisions you make today you want to really be lasting technology decisions.”

ANTHONY SPERLING

Turnkey solutions are one approach to achieving data integration. The software supplier (a custodian or broker/dealer, for example) provides a single platform that includes core functions. Those functions often work well enough for most users, but some firms prefer to seek best-of-breed solutions that fit better with their business model. The good news for advisers who don't want turnkey solutions is that custodians have been focusing considerable energy lately on data integration with outside developers. Fidelity, Pershing, and TradePMR have launched their platforms with selected vendors. Schwab's Intelligent Integration initiative focuses initially on CRM vendors, and the company has signed a development agreement with Salesforce.com and is in discussions with Junxure and Microsoft. Advisers interviewed for this article are excited about these developments. Friedman, for example, uses Schwab as one of his firm's custodians. He envisions an immediate efficiency boost from the ability to have Schwab's data feed directly into his CRM.

Clarke is particularly excited about TD Ameritrade's approach, which was announced in July 2010. TD Ameritrade is taking an open-architecture application programming interface (API) approach that should encourage external developers to build for TD Ameritrade's platform. As of December 2010, Jon Patullo, director of technology product management for TD Ameritrade Institutional, reported that TD Ameritrade is working currently with more than 20 vendors, several of whom have met TD Ameritrade's security requirements and are testing their applications.

Clarke compares the API approach with Apple's app store. Apple provides specifications for developers who want to create apps for the iPhone and the iPad. If the developer follows the specs, the application will run properly on the device. “TD Ameritrade is taking that same type of an approach with their API,” says Clarke. “They're saying to the marketplace, ‘Go out, be creative, be innovative, build your technology in such a way that it will work with our API,’ and then you figure out what's going to be the best technology for that adviser.”

That approach is important for several reasons, Clarke says. First, it allows independent Registered Investment Advisors (RIAs) to avoid relying on their custodian for all of their technology. Second, it allows advisers to pick the

application that fits their business model most closely. “That's really important, and I think it's a key part of TD Ameritrade's strength because they have seen how different these advisory firms are and how each of these firms needs different technology solutions,” says Clarke. “So, it's very much not one size fits all.”

From a technology perspective, Patullo says the API approach allows TD Ameritrade to create a menu for the vendors with whom it works. Those vendors require different data from TD Ameritrade—trading data for some, account data or client data for others, and so on. The API



Jon Patullo

allows the vendors to come in and obtain the data they need and bring them into their application. “This is going to allow us to work with a lot more vendors that advisers are looking to use today and have that data integration so they can see a lot of the efficiencies,” says Patullo. “Another good example is that we get a lot of vendors that come to us and are working on custom applications for advisers,

whether it be a trading tool or some type of rebalancing tool. This allows them to basically build an app to our API and to pull in the adviser's data and pass trades to us. There's really little work involved on our side except for the process of getting them approved for our API, and then they can build the system for the adviser so the adviser can be more efficient.”

### Looking Ahead

The outlook for seeing data integration simplify and improve advisers' workflow is encouraging. At the same time, though, these developments make the platform-selection decision more complicated. “When more of these integrations are in place and a little more mature, it will be essential to reevaluate all your technology decisions and see if there are other providers' configurations that are more advantageous to your business,” says Bruckenstein. “There are a lot of moving parts to this and a lot of decision points.”

Sperling urges advisers to review their growth plans and their vision of how their business will grow because changing core technologies and platforms is difficult and should be avoided if possible. “We ask about how and what would that growth look like,” says Sperling. “Would it be different types of firms? Would it be acquisitions? All of those questions I think are important because the technology decisions you make today you want to really be lasting technology decisions.”

*Ed McCarthy is a freelance financial writer in Pascoag, Rhode Island.*

### RECOMMENDED RESOURCES

*Private Wealth Management: A Review*  
Research Foundation of CFA Institute (July 2010)  
(www.cfapubs.org)



Eric Clarke