

Eight Leading Innovators By Andy Gluck



These firms are changing the industry for the better.

With the end of the year right around the corner, we're sure to start seeing those lists naming the most important people in wealth management. Yes, I've been on some lists myself a number of times, and I'm probably guaranteeing that I'll never get on one of those lists again. One magazine I wrote for placed me on their list for several years in a row and immediately dropped me when I moved to *Financial Advisor*. Even before that, I always thought the lists were a joke.

I may just be suffering from the phenomenon Groucho Marx observed when he said, "I don't care to belong to a club that accepts people like me as members," but the lists have some fundamental flaws.

For instance, they invariably include the president or chairman of the Fed, citing his influence on tax policy or interest rates. That's just silly. Why not name the chairman of OPEC for influencing oil prices? Or the president of the People's Republic of China for his influence on the dollar? For Heaven's sake, maybe the Pope should be on the list because he influences millions of Catholics to tithe!

Another problem with the lists is that the same people get named year after year. Don't get me wrong, Harold Evensky and Deena Katz are brilliant, caring people. And the head of Schwab's advisor division in any given year is, to be sure, a competent executive with real power in the industry. But is no one doing anything new? Is no one inventing new tools and services for advisors?

Of course, they are. Innovators abound in this burgeoning segment of the financial services business, and these innovators measurably advance the business. So here's my list of innovators, people changing the industry for the better.

James Carney, CEO of ByAllAccounts (byallaccounts.com), has brought his aggregation company back to life after it languished for years. ByAllAccounts is now the aggregation service I hear about most from advisors. When ByAllAccounts was founded in 1999, Carney was its chairman, biggest investor, and not involved in day-to-day operations. Launched at the height of the tech boom, the venture got off to a good start. By 2003, however, after the tech-stock crash, when people suddenly realized that the Internet was not instantly changing everything about financial services, ByAllAccounts was foundering. The company lost ground to other aggregators and struggled to survive. Carney stepped in. He sold the company to State Street Bank in August 2004 and began focusing on making ByAllAccounts data usable by portfolio management systems, which other aggregators were not focused on. He struck a deal with Schwab Institutional that allows advisors to bring in feeds for clients who hold accounts at institutions where Schwab's PortfolioCenter accounting software has no interface.

Account aggregation is a murky area that remains widely misunderstood. Basically, aggregation applications log into your client accounts one-at-a-time to retrieve position data. That method of pulling in data is less reliable than portfolio management software applications, which utilize direct feeds from institutions to download data at one time for all your client accounts at an institution.

Carney's singular focus on making ByAllAccounts data reconciliation-ready for use in portfolio accounting applications has allowed advisors to pull in data from hundreds of institutions where no interface exists. For instance, Advent Axys and Schwab PortfolioCenter, the two most popular accounting packages among independent advisors, do not have interfaces to thousands of 401(k)s. ByAllAccounts is being used by advisors to pull in that data, allowing these firms to report on their clients' total wealth, including assets held away. And they can charge fees for advice and monitoring of those assets. While ByAllAccounts and other aggregation companies still struggle to bring in accurate data, Carney's leadership has paid off and advisors are finally using aggregation productively.

Bob Curtis, CEO of PIE Technologies (moneyguidepro.com), is a visionary. Curtis, 59, has spent most of his career in financial technology. In the early 1970s, he worked for NCR and, in 1977, started his own company making software for minicomputers. With a father in the insurance business, it was natural for Curtis to make software for pitching universal life policies. When personal computers came out in the early 1980s, Curtis opened a retail outlet that focused on sales to insurance agents.

By 1985, Curtis closed his retail stores and focused on showing banks how to sell annuities with computers. He started Compulife, a bank marketing company that morphed into a broker-dealer. He trained and placed reps at bank branches selling annuities and securities. By 1993, Compulife had reps in 100 banks and sold about \$500 million of product. In 1999, Curtis sold Compulife to IFG, an Atlanta B/D that was later bought by ING. Curtis kept the rights to his software, however, which he by then had developed into a financial planning package. His Web-based software is today called MoneyGuidePro (MGP), and it is used by about 7,000 independent advisors, plus brokers at UBS and Citicorp.

Curtis made MGP very different from the other packages out there. The most popular packages, such as NaviPlan and Financial Profiles, were based on making elaborate cash-flow projections. Curtis based MGP's projections on a person's ability to fund his goals, eschewing the detailed year-by-year forecasts of income and expenses. In addition, while other planning packages were created for advisors only, MGP was made to be used with a client sitting alongside his advisor. While other programs required hours of data input, MGP placed much lower demands on users and could generate a plan with a fraction of the work. While other programs created 100-page long reports, MGP had easy to understand charts and graphs that distilled complex information into a few simple graphics for clients.

And, in a brilliant stroke, Curtis took a totally different approach to funding people's goals. All other planning programs funded goals chronologically. If you wanted to buy a new boat next year and your child was headed to college in three years, other planning software packages funneled all your savings first to buying your boat. Only when this goal was achieved would your college-funding goal be fulfilled by traditional planning packages. Curtis created a formula that funds goals based on priority—not chronology. If funding college was more important than buying a boat, a person's plan would reflect that. It's a more realistic way of planning.

Curtis' simple goal-based approach to planning has now been copied. NaviPlan, the market leader, for instance, has created modules to make it far simpler to generate a plan quickly. While only a single Canadian firm has copied Curtis' goal-priority methodology, and existing packages cannot realistically be reengineered to apply his approach, Curtis undoubtedly regrets not patenting his idea when he originally came up with it. Still, the influence he has had on the planning industry and innovation of his small 20-employee firm will be felt for many years.

Scott Farnsworth, CEO of SunBridge Inc. (www.sunbridgelegacy.com), located in Harmony, Fla., makes estate planning more meaningful by training advisors to inspire introspection, imagination and emotion in clients. His mission is to allow people to experience what he did as a 12-year-old boy, when his father gave him a letter written by his mother four years earlier, just before she died. He trains advisors to create estate plans aimed at instilling a parent's most noble values in generations to follow. That estate planning must be more than GRATs, IDGTS and QTIPs is not new.

What is new is the systematic method and supportive network Farnsworth has created to give advisors with the skills needed to create values-driven estate plans. A key tool is a series called "Priceless Conversations" in which an advisor presents a client with questions. The series facilitates thoughtful discussion about passing on your wisdom, values and stories; about the meaning of success and money; and about caring for your children after you're gone. It's almost incidental that Farnsworth's methods are a way for advisors to manage more money for clients. Only the most cynical advisor would not recognize this technique as the highest calling of this fledgling profession, allowing you to affect the lives of clients and, thus, enrich your own life. Farnsworth hosts two-day retreats for \$1,000 eight times a year. For \$99 a month, you receive membership in the Legacy Builder Network, allowing you to private-label SunBridge materials. Just as life planning caught on, so, too, will this meaningful method of estate planning.

Glenn Daily of glenndaily.com is one of the great heroes of this profession. He is one of the nation's only fee-only insurance consultants. I don't know of another person who has remained more faithful to his values and professional mission. In humble, unemotional fashion, he for years has exposed excesses of the insurance industry with reasoned analytics, always seeking truth, protecting consumers and behaving with integrity. A graduate of Princeton University and former financial analyst at General Electric, Daily went out on his own in the late 1980s to pursue the very lonely job of fee-only consultant on insurance matters. I first called Daily about 20 years ago, when I was a young reporter at *The New York Daily News*. He speaks in a monotone, sometimes stuttering, as he articulately delivers unvarnished analysis about complex strategies. Daily remains unfazed by the noise, hype, and temptation that characterize the insurance segment of the industry.

Pursuing a career in consulting to consumers on a fee-only basis about insurance—an industry perpetuated by commissions—can, at times, be like choosing to become a minister in a casino. (It's hard to find clients when the "pros" are busy screwing customers.) Yet Daily has remained a voice of reason, pointing out when the industry becomes too greedy, doing his part to make the insurance industry more efficient. An equal-opportunity curmudgeon, he criticizes carriers, rating agencies, agents, and even fee-only advisors if necessary. About six years ago, he dared to launch an attack on an insurance expert hailed by leading members of the National Association of Personal Financial Advisors, the association for fee-only planners. In doing so, he risked alienating many of the advisors who hire him. Yet he stood up against what he regarded as a wrongheaded way to evaluate life insurance policies because it was the right thing to do. Daily has written two books, *The Individual Investor's Guide To Low-Load Insurance Products and Life Insurance Sense and Nonsense*, but earns his living evaluating insurance for the ultra-wealthy. He launched <mailto:whatsmypolicyworth.com>, a \$2,000 service in which Daily evaluates bids on life settlements, shedding light on the latest dark spot in the insurance industry.

Linda Lubitz Boone and Norm Boone, authors of IPS AdvisorPro (ipsadvisorpro.com), have made the writing of investment policy statements easy, methodical and more professional. The foundation of any wealth management engagement is an investment policy statement. It gives voice to all important elements of an investment advisory relationship—goal-setting, asset allocation, management procedures and communication protocols. Left unspoken, such matters can be ticking time bombs that will obliterate client relationships and cripple your business. The Boones have created a web-based system with templates that can be customized, making it simpler to create and maintain IPSEs. Anyone managing other people's money should be writing investment policy statements and making them living documents that clients value and can rely on. This software promotes that practice in the industry, makes it easier to implement and promulgates a good practice.

Kim Moulton, CEO of Moulton Strategic Partners (moultonsp.com), is a stubbornly independent entrepreneur cutting her own path to improve technology in advisory firms. Men, usually strong-willed men, dominate the top spot in advisory firms. Women are a minority in the independent advisor business and are an even smaller minority in the technology consulting business. It takes a competent, tough-minded, clear-thinker to consult in the male-dominated independent advisory business about technology, and Moulton does it well. Unlike many tech consultants giving advice to advisors, Moulton possesses real-life experience in dealing with the central challenge in advisor offices: database integration.

Moulton spent about 20 years as a database programmer before she started consulting to advisors. She focuses on implementing customer relationship and document management solutions. Perhaps her most innovative effort has been xlr8, a version of Salesforce.com she created for advisors. Salesforce is the world's most popular CRM system. By creating a version for advisors, Moulton uses Salesforce and customizes it for advisors. While Salesforce is currently her favorite, Moulton is not wed to it. If a better system comes along that can be customized for advisors, she will use it. She applies the same unbiased service to document management software. Some of the most successful advisors have hired Moulton and praise her work. Moulton's only limitation is her time. But with her strong personality and integrity, my guess is she will avoid spreading herself too thin to maintain her good reputation.

Julia Littlechild, CEO of AdvisorImpact (advisorimpact.com), has focused on doing one thing great, and it's paying off. Littlechild's company has created a technology backbone and service for conducting client surveys for advisors. Sure, plenty of services facilitate client surveys. But AdvisorImpact focuses on financial professionals, capitalizing on Littlechild's background as a consultant to advisors. You pick about 20 questions from a long list and her company does the rest. For \$2,300, you find out if your clients value your newsletter, feel they overpay you, and are satisfied with your investment performance. You also find out about missed opportunities to manage more money, provide additional services or get referrals. Littlechild made the service more scalable in the last year and it's likely AdvisorImpact will continue to expand its reach.

Edmond Walters, CEO of eMoney Advisor (emoneyadvisor.com), created the first advisor application to rely on Web services for integration, paving the way for others. In the late 1990s, as a successful insurance agent who had branched into wealth management, Walters sought to create his own integrated system. Thus, eMoney Advisor was born. Unburdened by legacy data systems of existing financial planning software packages, Walters made his system Web-based. In a brilliant stroke, he early on connected his system with an account aggregation software company, CashEdge, and promised to stream data daily and automatically into his wealth management program.

His idea was to create not just a planning application, but a portal where advisor clients can see their asset values, gauge their progress in achieving their financial goals and communicate with their advisors. Using Web services to bring in data from other applications was unheard of in 2002, when eMoney started making a splash with insurance advisors. While the core planning application remained less robust than well-known planning applications, such as NaviPlan and SunGard Planning Station, Walters created a highly polished video that could be linked to an advisor's website and marketed his software as being different from all other rivals. And it was. Still, it did not catch on with independent advisors, who found the aggregation unreliable and the

planning functions less than ideal.

Walters persevered however, and continued to make inroads with broker/dealers and insurance companies, and over the last year, more advisors were using the platform or wanting to learn more about it. Whether the features of the application can satisfy the demanding independent RIAs and fee-only planners in addition to advisors affiliated with insurance companies remains to be seen, but Walters' innovation is having an impact that has reshaped advisor technology.

Andrew Gluck, a longtime writer and journalist, is CEO of Advisor Products Inc., a Westbury, N.Y., marketing company serving 1,800 advisory firms.

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