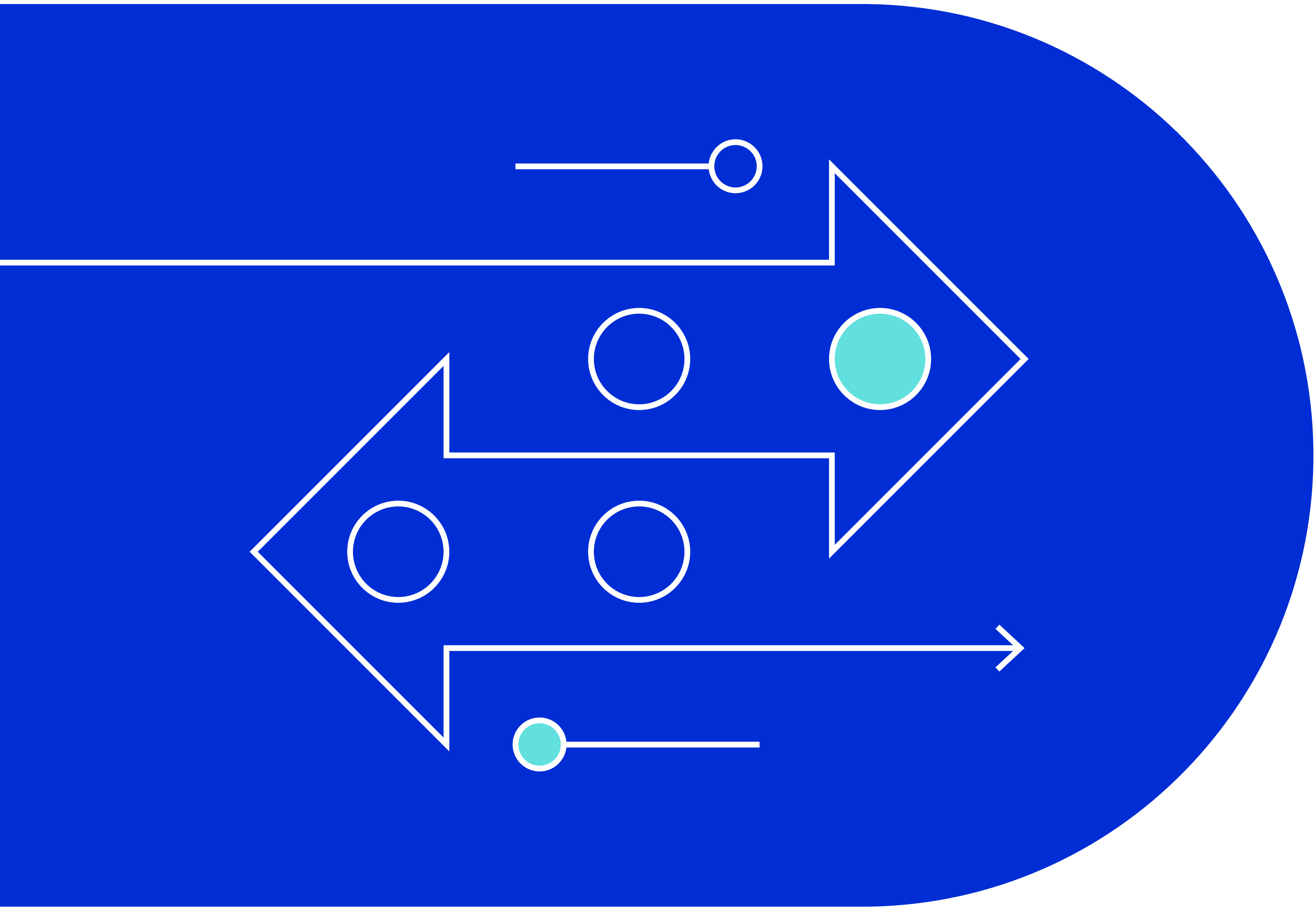


Unlocking the power of investment management: insourcing vs. outsourcing

→ weighing the pros and cons

→ Introduction

As a wealth manager or RIA experiences growth and navigates through dynamic industry and technological changes, they inevitably face a crucial decision regarding their investment management approach. This decision involves determining whether to handle all investment tasks in-house or delegate them to a third-party partner.

Understanding when each option is the right fit is essential.

Essentially, there are two primary options to assist with investment management:

Outsourcing

This involves partnering with an external entity that takes on a significant portion of the investment management responsibilities on your behalf.

VS

Insourcing

In this case, you choose to handle the investment tasks internally using technology and resources available within your organization.

Both choices offer distinct advantages and disadvantages. However, the ultimate key lies in simplifying investment management to help enhance efficiencies, foster growth, and achieve favorable client outcomes.

Selecting the appropriate option depends on factors such as your identity as an organization, where you aim to set yourself apart, and your overarching objectives. Careful consideration of these factors can guide you toward the most suitable path for your wealth management or RIA firm.

→ Outsourcing: More efficiency, personalization, and scale when it's done for you

Outsourcing can give you more time in your day if you're looking to grow and scale faster.

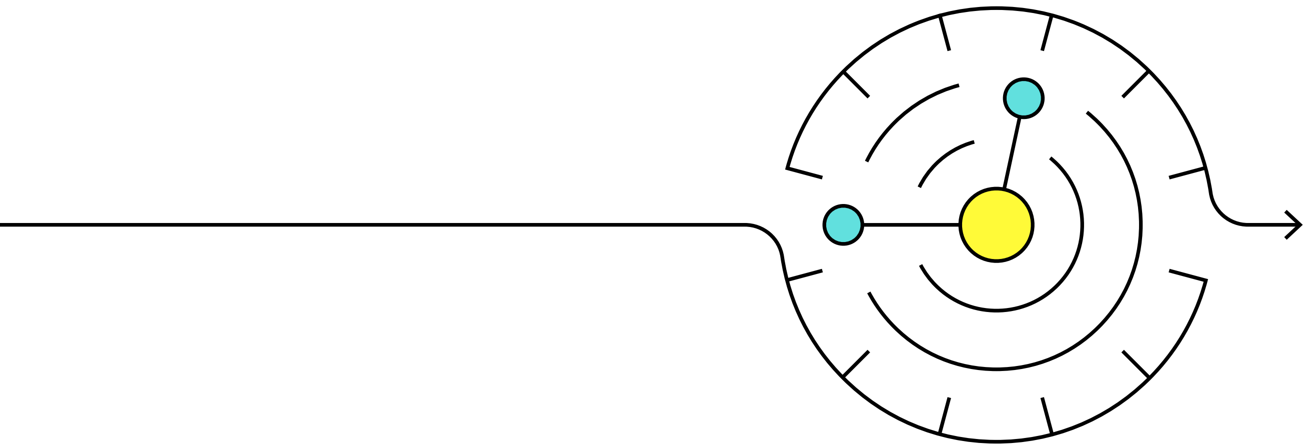
52%

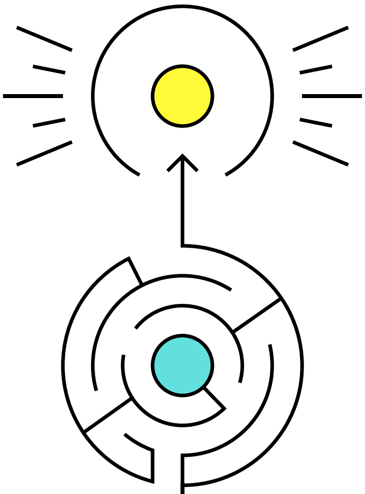
of advisors agree that the primary driver in their decision to outsource investment management is enhanced efficiency and productivity, which allows them to spend more time with clients.[1]

More time for clients

When you delegate the time-consuming middle and back-office processes accompanying investment management, you can concentrate more on client-facing activities and business development. That means less time spent on investment research, manager due diligence, portfolio construction, reconciliation, performance reporting, tax optimization, statement preparation, and invoices—and more time gathering assets, acquiring new clients, and servicing existing accounts.

In addition, employing model portfolios can be an efficient strategy to optimize operations and enhance effectiveness in a financial advisory business. Model portfolios enable a systematic method to manage investments, empowering advisors to present clients with sophisticated models while maintaining a personalized touch on a larger scale.





Better access to experts

Outsourcing providers possess specialized expertise that can help guide you through managing your business, delivering professional training to your staff, and providing customized services. They can aid in day-to-day operations while fostering strategic thinking, facilitating business growth, and potentially increasing overall revenue.

In addition, certain outsourcing providers can extend their offerings to include technology support, practice management assistance, and other resources aimed at helping with philanthropy, retirement distribution planning, asset protection, tax planning, and business succession. These comprehensive services are designed to enhance your efficiency and success. When combined with access to a diverse range of model portfolios, you can gain a winning solution that aligns with your clients' risk profiles.

Less complexity and talent constraints

The rise in asset complexity has stabilized the turnover in back-office roles. This is attributed to the trend of shifting investments from traditional holdings to alternative investments, underscoring the importance of advisory firms retaining their skilled operations staff. However, this can be easier said than done.

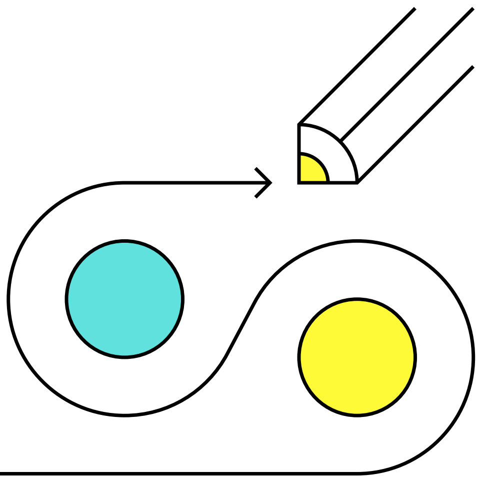
Engaging in alternative investments is a complicated process requiring portfolio management technology and entails substantial paperwork and specific requirements for each fund. As a result, advisors have two options: either expand their in-house back-office operations to cope with these complexities or opt for a partnership with an outsourced provider that specializes in handling the heavy lifting operations and the intricacies of diversified alternative investments.

More time for personalization

The most sought-after wealth management clients increasingly demand a higher level of service. They expect their wealth advisors to provide a deeply personalized, all-encompassing, responsive experience covering investment management, tax planning, goals-oriented strategies, and wealth protection.

These discerning clients are more likely to inquire about how their wealth advisors integrate their diverse objectives and preferences into a comprehensive plan that optimizes the chances of success while minimizing tax liabilities and unnecessary risks.

Wealth advisors must adapt and improve various aspects of their businesses, from client onboarding to investment management and vendor selection. Throughout all these aspects, the importance of achieving greater personalization cannot be emphasized enough.



Better scalability

Scalability is necessary for numerous financial advisory firms, particularly during market volatility. To stay abreast of rapid changes, firms have increasingly embraced outsourcing to expand their operations, ensuring they can efficiently and effectively handle every request that comes their way.

When world stock markets lost approximately one-third of their value in the early days of the pandemic:

→40%

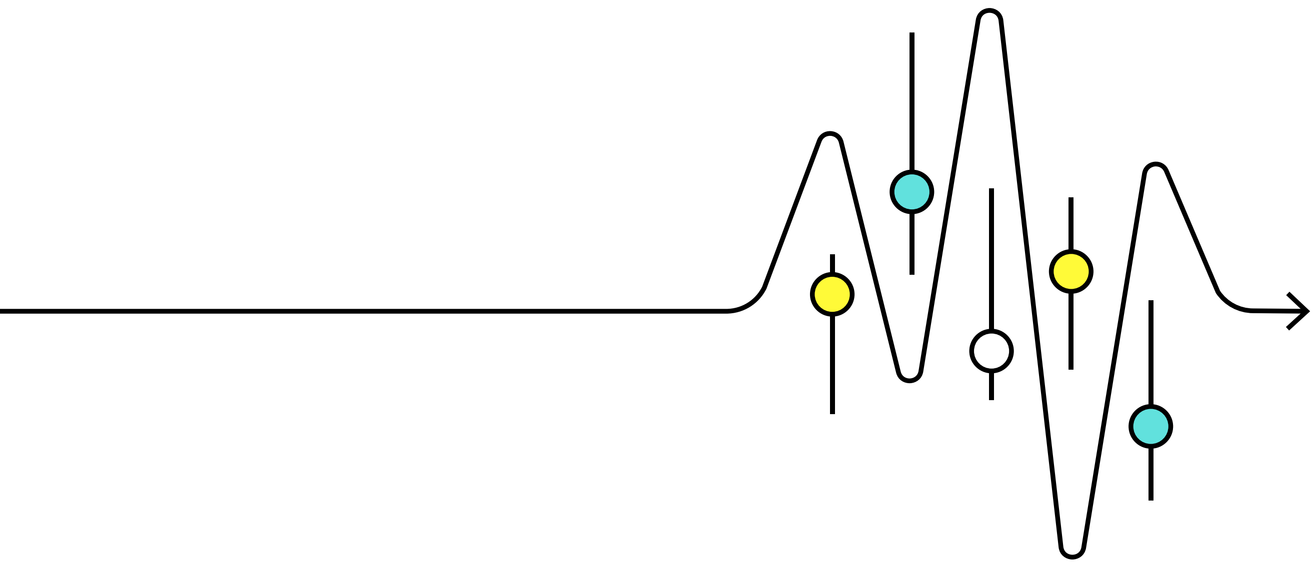
of advisors said they communicated more with their clients throughout the pandemic.

80%

of investors said they made some changes to their portfolios.[2]

With advanced, models-based platforms, many financial advisory firms can offload to outsourcing partners less valuable business practices and entrust expensive and time-consuming operational and trading processes that, while necessary, provide less differentiation or value than high-level strategic guidance.

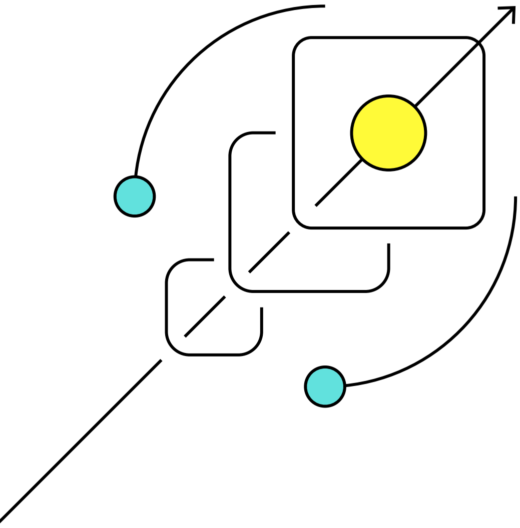
To thrive in the years ahead, advisors must be open to exploring long-term opportunities by embracing new service offerings that can elevate their wstrategic activities to unprecedented levels.



Potentially more efficient and cost-effective

Outsourcing can help you achieve greater operational efficiency and save time since you no longer must support redundant or commoditized operations, paperwork, running reports, rebalancing portfolios, and generating invoices. It can be less costly since the overhead of hiring traders and operations talent or buying and maintaining technology, such as rebalancing and trading, is removed. 58% of advisors say outsourcing reduced their operating costs. [3]

Furthermore, adopting model portfolios in an outsourcing environment aid in cutting operational expenses linked to manual data entry and the risk of tracking errors arising from system discrepancies. By centralizing all pertinent information in one source, advisors can gain greater assurance in the accuracy and timeliness of their reports. This approach also facilitates smoother trade execution, resulting in time and cost savings over the long term.



→ Insourcing: More control, scalability, and speed when you do it yourself

As firms grow and become more sophisticated, some turn to insourcing with technology to make customizing investment strategies and personalizing portfolios at scale across accounts and households more efficient. The growth of Outsourced Chief Investment Officer (OCIO) and family office business models is a key example of the trend toward this increased client and strategic sophistication. By 2024, family offices are expected to grow by at least 10% in North America.[2]

More differentiation, value, and control

Although insourcing is more work, it may give your firm more control over individual stock selection, net exposure, customized strategies, and investment solutions. Some advisors find that managing assets in-house proves a compelling selling point and differentiator, emphasizing a hands-on commitment to handling their clients' investments as part of the firm's value-add.

In addition, technology can help you make decisions more efficiently since more day-to-day activities can be pushed into operations, giving portfolio managers more time to operationalize proprietary knowledge and focus on client needs and strategies.

Better tax planning, customization, and scale

Sophisticated clients are more involved in their investment planning when they can see the individual companies they own, especially with tax planning. And when clients are more engaged, it makes tax-loss harvesting and financial planning more accessible as well.

Tax management is a growing specialty in the advisory space, and in-house portfolios may be more concentrated and have less turnover than portfolios on outsourced platforms. As a result, advisors managing investments in-house may run portfolios in a way that's more tax-efficient and customized to the client.

A flexible, module investment management solution is crucial to meeting clients' specific tax-sensitive needs—and scale with you as you grow. Advanced rebalancing and trading capabilities can help you to customize model portfolios at scale, manage tax budgets and households, and stay true to your firm's entrepreneurial spirit while optimizing workflows for your highly skilled portfolio and investment managers. Ultimately, this can strengthen differentiation and enhance your clients' overall experience.

In addition, investment management technology can accelerate your response to market movements with the ability to direct trades across thousands of portfolios. As a result, it can give you a massive boost to client confidence and responsiveness. With faster and more precise rebalancing and trading, you'll have more confidence, clarity, and outcomes you can craft today and into the future.

Adopting a flexible, configurable approach

Choosing between outsourcing or insourcing investment management can be difficult, but it doesn't have to be. Firms should be flexible in selecting from a customizable menu of services, technology, and a blend of models that's just right for you.

Our award-winning[4] intelliflo redblack solution helps provides comprehensive rebalancing and trading capabilities with portfolio and order management. Tailoring portfolio models, responding promptly to inquiries, and adjusting clients' preferences can help you demonstrate your services' quality, speed, and value and ultimately gain a competitive advantage. An advanced rebalancing solution can reduce friction around service and scaling, allowing you to spend more time with your clients.

But the best part is that you can get all the power of intelliflo redblack with our outsourced option, intelliflo managed, where our professionals manage all your rebalancing, trading, and order management on top of back-office support, billing, and investment and custodial management. In addition, we offer potential discounts to firms who use qualifying Invesco models* for a portion of accounts when using intelliflo managed services. Imagine taking all that administrative and investment management time back and giving it to your clients.

> "intelliflo redblack's flexibility and sophisticated customization, plus its deep integration capabilities, made it the obvious choice for our trading and rebalancing solution. The technology helps us optimize efficiencies, which is critical as we continue to grow and expand into new areas."

Drew Phillips, Chief Operating Officer
Fortitude Family Office

Sources:

[1] Survey of Independent RIAs – January 2021: Outsourcing Investment Management, WealthManagement.com and Vestmark, January 2021

[2] 2021 EY Global Wealth Research Report

[3] Schroders' Global Investor Study, 2020

[4] WealthManagement.com 2022 Industry Awards Winner for Rebalancing and Trading Solution

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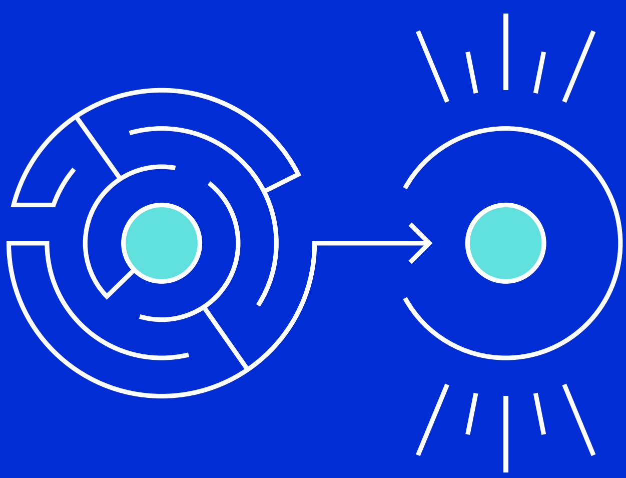
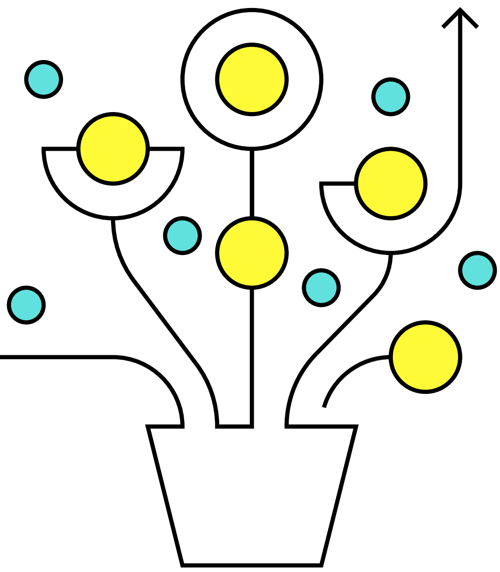


→ About intelliflo

intelliflo widens access to financial advice through leading technology powering the financial advisory experience. We use open software architectures combined with unmatched industry experience to simplify a complex digital landscape to help advisors compete and grow.

Our solutions support over 30,000 financial advisors worldwide, representing over three million end-investors.



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