

NAPFA ADVISOR

MAGAZINE

THE ART AND SCIENCE OF THE FEE-ONLY PRACTICE

ADVISORS CONFRONT INVESTMENT & BUSINESS CHALLENGES

NOVEMBER 2011



DESIGNING A MORE EFFICIENT PRACTICE

“Most people make the mistake of thinking design is what it looks like...

People think it's this veneer—that the designers are handed this box and told, 'Make it look good!' That's not what we think design is. It's not just what it looks like and feels like. Design is how it works.”
(Steve Jobs, quoted in *The New York Times* in 2003, two years after the launch of the iPod)

Sunit Bhalla, CFP®, knows a few things about software. Having spent 18 years as a research-and-development project manager and software developer at HP and Agilent Technologies, he undoubtedly knows the ins and outs of software in ways many of us never will. But now, as principal at OakTree Financial Planning, LLC, in Fort Collins, CO, he knows something about software he'd like to share with the rest of the planning community.

“By taking the time to design a software infrastructure, an advisor can better serve his or her clients while also being more efficient,” he says. “However, the decision to purchase software should

not be made in isolation. The advisor should consider the functionality of the software, the cost of the software, and how it fits into the planner's current and long-term software infrastructure. A well-designed software infrastructure can allow advisors to be more effective at serving their clients while helping them become more efficient at doing their work.”

MICROSOFT MODEL VS. APPLE MODEL

It's probably safe to say that a lot of practitioners originally purchased computers with an eye toward economy or utility and then added more software and hardware as new needs arose (or as new software and hardware became available). Let's call this the “Microsoft model” of providing a functional foundation onto which any number of things (hardware, software) might be built. Microsoft licenses its operating system (i.e., Windows), and anyone can use it to run their technology infrastructure.

Contrast that with an approach that Bhalla favors, the “Apple model”: a hardware/software hybrid that necessarily limits what you can add to it but places

an emphasis on design and efficiency (e.g., a MacBook Pro running OS X). The difference is that only computers produced by Apple can run the Mac operating system, so Apple determines which technology can be used with its software. In other words, if you use the Mac OS (or iOS for mobile devices), you're “constrained” by Apple's design ethos. But users such as Bhalla don't see this as a constraint, since the design, for them, leads to greater efficiency.

“Apple excels in part because it makes great design decisions,” Bhalla says. “Each product is designed very well, but the way that the products work together is also well designed. For instance, the Mac Mail application and iCal (the calendar) application work great as stand-alone programs. But they also work well together—if I get an email with a date and time, I very easily create a calendar event that links to the email. The subject, date, and time of this calendar event are automatically populated.”

This emphasis on the design of both hardware and software makes Apple products particularly useful for planners looking to achieve greater efficiency with

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SIMPLIFY PROCEDURES

HERE ARE SOME ways in which Sunit Bhalla has standardized procedures in order to simplify his workflow and improve client service.

Trading authority. All clients give discretionary trading authority, which streamlines rebalancing. Bhalla usually talks with clients before making tactical trades, though this is not required in his client agreements.

Billing. All clients allow fees to be deducted out of their accounts, and he has only one billing model (with very rare exceptions). Bhalla resets fees only once per year. The reset is

done in April “so I'm not spending my last week in December calculating new fee amounts.” With these steps, Bhalla can complete his quarterly billing in two hours, except for his reset.

Tracking client information. Bhalla has carefully defined workflows in his CRM to document processes for tasks such as opening a new IRA or exporting data from PreciseFP to Redtail, as well as for initial financial planning process meetings. “Having these documented workflows helps me make sure that I don't forget important steps,” he says.

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their technology infrastructure. But it's the principle, he says, and not necessarily the platform that is what matters.

"I do not have a goal to convince advisors to run on the Mac platform. If they are happy on a PC platform, I don't try to convince them to change. I do, though, have a goal of showing advisors how they can run on a Mac platform if they want to," Bhalla says.

His broader goal is to help advisors use software to become more efficient in their practices. "My hope is that by showing my software infrastructure, other advisors will think about whether they want to make changes in theirs," he says. "Another goal is to help new advisors envision a possible long-term software infrastructure as they start to choose their initial software."

Apple products have become increasingly popular, thanks to the popularity of the iPhone and iPad. The emphasis on design and ease of use make them attractive to consumers who value form as well as function, and Apple's core principle is based on the idea that the two are inextricably linked.

"Apple designs its product lines to be very simple," Bhalla says. "Typically, it's very easy to pick out which Apple computer, iPhone, or iPad to buy because there aren't hundreds of options. Their positioning seems to be, 'Here is what we offer, and we really hope that one of our products fits your needs. But, we don't develop products for all possible consumers. It's OK if you decide that our products aren't for you.'"

APPLYING THE SIMPLICITY PRINCIPLE

For Bhalla, that principle can apply more broadly to how he presents himself to prospective clients. Rather than trying to adjust his policies to meet a variety of needs, for example, he focuses on what he does well.

"I have focused my practice on helping those who work, or have worked, in the technology industry and who want a full financial plan instead of wanting only investment advice," he says. "I'm OK with not being right planner for a prospect. I'll refer them to another NAPFA planner who might be a better fit."

He's distilled his passion for efficiency both in his use of technology and in the way he manages his practice into a few key points:

- **Standardize:** "Standardize as much as possible while still serving the unique needs of each client."
- **Simplify:** "Avoid complex things that don't add value."
- **Focus:** "Working with clients who work, or have worked, in the technology industry and want comprehensive financial planning allows me to be a better financial planner for my clients."
- **Automate:** "Use software if it will do the work better, faster, or with fewer errors than doing it manually."

These principles manifest themselves in his policies and procedures for basic tasks such as client fees, trading, communications, and more (see box, page 20). Taking the time to implement these practices and then making the investment in the right technology to manage these workflows are, for Bhalla, key to achieving greater efficiency, especially for new planners.

Software supports the smooth operation of those procedures. According to Bhalla, applying an Apple-style ethic to the design of a practice's technology infrastructure can lead to greater efficiency, regardless of whether an advisor uses Apple products.

"For instance," he says, "I use PreciseFP, which allows clients to enter information about themselves—including their name, address, Social Security number, driver's license information, employer's name and address, etc. This information gets sent electronically to my CRM (Redtail) so that I'm not typing in that information manually. This saves me time and avoids mistakes."

Another example would be the ability of iPhones and iPads to automatically sync Mac data such as calendars, contacts, mail, documents, and much more. "This seems very similar to how advisors might want to 'design' their technology infrastructure," he says. "Each software application needs to work well for its purpose. The advisor's

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efficiency can be increased dramatically by using software that connects to other software.”

New advisors are ripe for this type of innovative thinking. Not only are they more likely to be familiar with Apple products in their personal lives, but their practices are still evolving rapidly. They have not yet locked-in to extensive hardware-software combinations or their operational procedures. Bhalla’s ideas are one place to turn for good information about how they might structure their businesses and their IT investments.

“I think that many new Fee-Only planners have a hard time creating a technology plan, and there’s no real place for them to get objective advice,” Bhalla says. “Many of the technology consultants

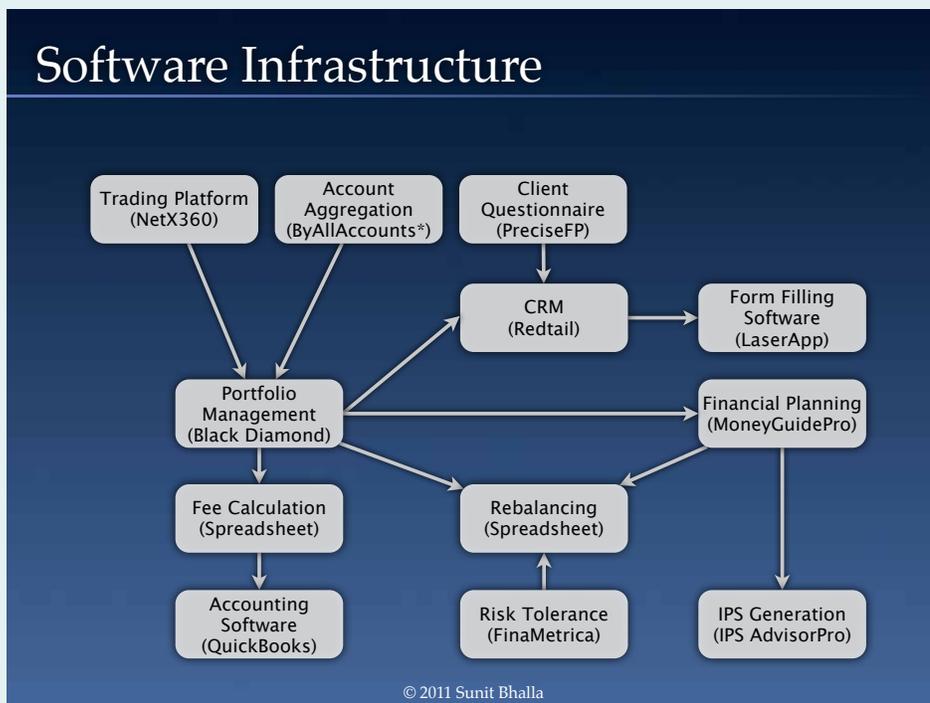
target more established financial planning companies, and new planners are often left to try to figure out their software infrastructure by themselves. It’s not clear to them what software they should purchase soon and what can wait until later. And it’s not easy to determine how to purchase software that will play well with the other software they will use.”

Costs are a hurdle, too, but Bhalla observes that new advisors don’t need to buy every piece of software when they start their practices. “Having a sense of the long-term design of their technology infrastructure is very beneficial,” he says. “They can then purchase software over time and know that it will fit into the long-term plan.”

Although something of an Apple evangelist (he led a session about the use

of Apple products in his practice at NAPFA National 2011), Bhalla sees his IT choices as a means to an end, not the end itself. “I personally enjoy being efficient through the use of Apple products (computers, iPad, and iPhone), and my hope is that I can help others be more efficient through presentations, articles, and conversations,” Bhalla says. “One of my business goals is to benefit the financial planning community. I want to make an impact in our industry, and especially with Fee-Only planners, if I can.”

Ultimately, the message that Bhalla is sharing is about the long-term benefits of investing now in a well-designed technological infrastructure. “I could spend less money on technology. However, I choose to spend more money so that I will have more time,” he says. 🍏



BENEFITS OF AN INTEGRATED SOFTWARE INFRASTRUCTURE

By Sunit Bhalla

I THINK THAT there are three main benefits of a good software infrastructure. It should help the advisor do a better job for his/her client. It should save the advisor time. And it should help the advisor avoid making mistakes.

While I can’t put hard numbers on this, I’m convinced that my software infrastructure saves me time. My data is typically

passed electronically, and it would take me much longer if I were typing in names, addresses, Social Security numbers, account balances, etc. by hand.

Back when I was filling out account opening applications by hand, I once mistyped a client’s zip code. I didn’t notice when proofreading the application, and I was very embarrassed when my client pointed the mistake out to me.

Now, my PreciseFP—>Redtail—>Laser App flow avoids this kind of mistake. In this example, my client enters his or her zip code on the PreciseFP website; it gets moved electronically into my CRM (Redtail); and the client’s information (including zip code) gets sent to Laser App, which creates my account opening forms. I don’t even have the chance of messing it up!

I use account aggregation software in my practice. (I’m currently using CashEdge, but I’m planning on adding

ByAllAccounts.) Clients have told me that they like that I’m incorporating all their investment assets into the financial plan. I can report on all the client’s assets, not just the assets that I’m directly managing. I can rebalance across the entire portfolio without asking the client for account statements. Finally, when we create an updated financial plan, I can get the client’s current assets without involving them.

I’m currently evaluating rebalancing solutions, and this will allow me to rebalance my clients’ portfolios much more efficiently.