Held-away Assets: What else is in your customers' wallets?

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For several years, industry pundits have professed the benefits of data aggregation for good reason. The value of gathering, analyzing and reporting on held-away client data benefits both the advisor and the client.

Until recently however, data aggregation remained more theoretical than practical. Few firms were willing or able to invest the time to gather detailed client data because it was by-and-large a manual endeavor. The only options were to input data from statements provided by the client, or by granted access to online accounts from which data was lifted. While these approaches could work, they were time-consuming, resource intensive, and error prone.

In response, a number of technology firms introduced solutions to automate the process. The concept: create tools that 'screen scrape' data from third party data sources. While this was a step in the right direction, the information collected was of little value—especially in the case of high net worth (HNW) accounts. Advisors quickly discovered that their most valuable clients had little interest in seeing credit card balances, frequent flier miles, and car loans included in their monthly investment reports.

Meanwhile, the demand for an effective solution continued. As reported by the Chicago-based Spectrum Group in "Affluent Market Insights," for the first time in history there are more than a million households with a net worth of $5 million dollars or more (not including primary residences).

The answer to the data aggregation challenge would eventually come in the form of point-to- point connectivity with custodians. Companies, like Evare, Inc., introduced automated, direct data feeds. Unlike other approaches, Evare established simplified authorization and extraction processes to gather data from an extensive network of custodians used to house HNW accounts. But even more importantly, the company focused on gathering depth, breadth, and quality of data advisors needed for HNW reporting. The normalized, asset-level data can include balance, positions, transactions, and performance information.

With the process for collecting data established, the next step in the evolution was to make the data easier for advisors to use. In the case of Evare, the company formed an alliance with a web-based wealth management platform for managing, measuring, and reporting on the assets of HNW investors.

While front-office systems integrate with most books-of-record systems, the addition of held-away assets fulfills the need for a complete view of each customer's assets. Whether firms are managing assets internally, using third-party managers, or a combination of both, they gain a single source for the data and tools required for analyzing and reporting on the complete investment picture of each client.

Resulting in - Reconciled data feeds eliminate the inefficiencies inherent to traditional means of collecting, normalizing and categorizing asset-level data. And front-office tools provide more timely and accurate reconciliation, performance analysis, and client reporting.

Advisors can now:

- Aggregate account data to proactively manage client portfolios
- Focus on managing and growing investor relationships
- Eliminate operational risk
- Remove redundant operational cost while improving operational efficiency
- Provide timely and accurate consolidated reports

And, the use of the information is not limited to quarterly or year-end statement production. The pairing of aggregated data and sophisticated front-office tools allow advisors to provide performance reporting on the entire relationship, to review all assets and accounts when looking at tax implications of trades, and more fully ensures strict compliance to asset and asset allocation restrictions. The holistic view also allows the advisor to ensure his/her HNW client that investment decisions are being made with all the pertinent data available.

Plus, having access to all of the client's assets can be used as a marketing tool to bring more assets into the firm. For example, the ability to integrate held-away assets with internally managed portfolios enables advisors to show the performance returns on the external assets and contrast and compare allocations, management styles and results.

As wealth managers for the assets and business of these HNW clients, they are realizing that a holistic view and consolidated statement of their wealth and assets generate customer retention, loyalty, and allow for significant growth.

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InvestEdge ASP is a web-based software for managing, measuring, and reporting upon high net worth and ultra high net worth portfolios. The system enables firms with assets of $1bb or more to achieve optimum productivity, profitability, and client satisfaction. The scalable solution integrates with all leading backoffice systems, including those from SEI, SunGard, Advent, Metavante, and others.
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