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How Are Top Advisors Growing Their Business in a Difficult Market?

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Yes, the market is terrible, but there are plenty of advisors out there who are aggressively growing their business because the market is, in fact, terrible. Top advisors view this as an opportunity – and it is.

Most investors do not feel they have an objective advisory relationship with their broker/advisor/planner. Investors are disappointed in the counsel they are receiving and complain all too often that their decisions are not well-informed. Conventional wisdom holds that this means advisors are more important than ever before. And even though that is true, it doesn't mean that all advisors will fare equally well because all advice is not equal. The question I am most frequently asked is: "How are the industry's top advisors doing it? How does an advisor grow a $50 million book of commission brokerage business into a billion-dollar investment management consulting firm?" Top advisors are continuing to grow their businesses in today's difficult market environment because, through the engagement of their professional investment and administrative counsel, they are able to address and manage investment and administrative values (risk, return, tax efficiency, liquidity, cost structure, etc.) not possible in commission sales. There is a pattern emerging among our industry's top advisors that is very instructive on how you too can excel even in today's very difficult investment environment.

HOW DOES AN ADVISOR GROW A $50 MILLION BOOK OF COMMISSION BROKERAGE BUSINESS INTO A BILLION-DOLLAR INVESTMENT MANAGEMENT CONSULTING FIRM?

Advisors who are aggressively growing their practices share a common perspective.

1. They are building a business around addressing and managing a broad range of investment and administrative values specifically important to each client, rather than selling financial products. As a consequence, they engage their on-going counsel for a fee, rather than earning a commission for trade execution.
2. They are accountable for their investment recommendations and don't just periodically report performance but proactively interact with clients, elevating the decision-making criteria and the metrics used to evaluate performance.
3. They run their practice as a business with a division of labor that delegates administrative and technical/portfolio management related duties so as to maximize the client service and client acquisition time of the practice's principals.
4. They have developed the processes (asset/liability study, investment policy, strategic asset allocation, manager search and selection, performance monitor, tactical asset allocation) and technology necessary to fulfill their fiduciary obligations, which also allows them to consistently deliver high level counsel to all their clients.
5. They focus on a few very specific market segments (high net worth, ultra high net worth, foundation and endowments, defined benefit, defined contribution, profit sharing, public funds, Taft-Hartley) where they will find the most assets that would most likely appreciate high level counsel, because it is either required by regulatory mandate, by virtue of the investor's own discernment or, more often, by the advisor's skill in differentiating their services. Small clients, falling below an account minimum ($100,000 to $1 million), are not sought because each advisor can only counsel 100 to 200 clients and high-level counsel requires a significant effort that is not economically viable below $100,000.
6. They have a well-articulated value proposition for the focused market segments in which they are active, backed by well-conceived support, processes and technology, and highly satisfied clients.
7. The driving focus of these practices is the continuous enhancement of the processes and technologies through which everyone within the practice is engaged in adding value.

To the client, it is obvious why these top advisors are successful. They are doing things differently. They are fulfilling their fiduciary obligations. They are being accountable. They are adding value. And, they do it all well. They are not waiting for their firm or a third party to make it easy. Because, if they did, they would not be different and could not easily differentiate their serv-

ices. Every top advisor is taking the initiative to control their own destiny. They are, by definition, not a typical broker or financial planner. They are highly responsive to the needs of the institutional and high net worth market segments upon which they focus. They are willing and capable of being a co-fiduciary and fulfilling their fiduciary responsibilities. They are adept in creating statements of investment policy for individuals and institutions. They are eager and willing to be accountable for addressing and managing the broad range of values (assets, return, tax efficiency, liquidity, cost structure, time, etc.) necessary for each of their clients to achieve their stated goals, because it so clearly differentiates their services. You are correct if you are thinking not many advisors can execute at this level. But you are incorrect if you think this is beyond the reach of any and every financial advisor.

DON'T BE DETERRED IF YOU DON'T HAVE THE CAPITAL RESOURCES TO INVEST IN AND DEVELOP STAFFING, PROCESSES AND TECHNOLOGY WITHIN YOUR PRACTICE NECESSARY TO ADD VALUE

Don't be deterred if you don't have the capital resources to invest in and develop staffing, processes and technology within your practice necessary to add value. Do not feel as if you have to have the technical resources or the know-how to engage your professional investment and administrative counsel for an on-going advisory fee. We all started at the same place, and none of this is rocket science. In a half day, you can learn how to articulate your value proposition to your clients, and in just a few weeks, you can be prepared to deliver high level, expert counsel to your clients. You have already done the most difficult part. You have developed invaluable client relationships. Now your challenge is to figure out how to provide a much higher level of counsel to your clients. Thanks to advances in technology, it is now possible for you to deliver the same level of counsel that was only available to the largest institutions just ten years ago. Your new value proposition is compelling and easy to articulate.

For existing clients, you simply say "there is a much higher level of investment and administrative counsel that you would like to provide. You appreciate the opportunity to make investment recommendations and to apprise the client of opportunities brought about by constantly changing market conditions; yet, in order for you to add value and provide a much higher level of counsel, you would like to make investment recommendations in the context of all the client's assets and liabilities. By constantly monitoring their portfolio and being accountable for managing and reporting on values like risk, return, tax efficiency, liquidity and cost structure, necessary for your client to achieve their goals and objectives, a much higher level of counsel can be provided. This requires significant time commitment and the management of considerable detail required by regulatory mandate (UPIA, ERISA, MPERS, UMIFA), and you welcome the opportunity to address and manage these values by engaging your professional investment and administrative counsel for an on-going advisory fee." Your minimum account size would be from $100,000 to $1 million, as you are physically constrained by the number of hours in a day, and you can only provide this level of investment and administrative counsel to 100-200 clients.

For prospective new clients, you simply ask "if their present advisor can tell them the precise rate of return being realized on all their holdings, both assets and liabilities, whether custodied within or outside their firm. Because if they can't (and presently no major firm can), it is literally not possible for their present advisor to add value. If they would like value to be added, you would welcome the opportunity to evaluate all their assets and liabilities as an investment portfolio (i.e., an asset/liability study) to determine if their holdings are consistent with their objectives. You will establish if they are taking 150% of the market's risk to achieve 50% of its return. You will diagnostically evaluate the tax efficiency of their assets. You will examine the cost structure of their holdings so the client is not paying more than they should for each investment mandate. Mutual funds are three times more expensive than managed accounts, and ETFs and folios are 40% less expensive than managed accounts. You will establish portfolio liquidity and evaluate numerous investment and fiduciary considerations." Typically, your asset/liability study will show the prospective client 10 to 20 ways you can significantly improve their well-being. You will win this prospect as a client nine times out of ten, most especially in a difficult market environment.

But the sales pitch is never the problem in building a top advisory services practice, because it plays to your strengths. You can, in fact, learn it in a half day. However, resolving the infrastructure challenge of developing the people, process and technology within your practice that is necessary to add value seems to be the sticking point for everyone. Yet, as we have suggested, the staffing, process, technology and know-how issues which must be resolved in order for you to both articulate and deliver the value proposition cited above are easily within the reach of the industry's average financial advisor. Here's how you can do it.

If you are a top financial advisor in a major firm with $50 million under advisement and you have made the transition toward fee-based advice, you likely have a significant portion of your assets, say 80%, in mutual funds and/or managed account wrap fee programs. You are currently paying your firm ±70 basis points (50 BPs to the manager, 70 BPs to advisor, 70 BPs to the firm: 190 BPs total) for the privilege of working within a wrap fee program structure, or $280,000 ($40 million x 70 basis points). What if you decide to develop and use your own investment process rather than using the investment process inherent in your firm's wrap fee programs? If you were to build your own investment process, you would still have access to your firm's managed account, ETF and mutual fund managers. You would redeploy the $280,000 in fees you are currently paying your firm for their limited unintegrated investment process within their wrap fee programs to building your own infrastructure of people, processes and technology necessary to add value. You don't have to leave your firm. You are simply using the firm's investment

products outside of a wrap fee program structure and creating your own investment process through which you can add value.

Though we are assuming a budget of $280,000 to bring your investment process in-house, this does not mean you necessarily have to be a $950,000 advisor or have $40 million under advisement to do this. Three $300,000 advisors with collectively $40 million in wrap assets can form a partnership to bring their investment process in-house. It is not far fetched to find firms that would provide a recruiting bonus of $280,000, especially for this type of business. The point is, almost any advisor with wrap assets can build a far superior investment process and value proposition than is possible in a wrap fee program. This is not to disparage wrap fee programs, but they were never meant to be a surrogate for high level institutional quality investment management consulting. The point is it is simply clear to clients that the value proposition of top advisors, that allows them to grow their business in a most difficult environment, is preemptive to their colleagues in commission sales or those who are constrained by a prepackaged wrap fee program investment process. The reason why top advisors are continuing to win accounts and assets in a very difficult market is that they are raising and resolving questions that cannot be answered within a commission brokerage model. Remember, it is not the investment product that adds the value; it is what you do with the investment product (i.e., the process) that adds value. It is through a well-conceived investment process that you, the advisor, become the value added. Thus, the secret of top advisors is process. There are inherent limitations on the counsel which can be provided through a wrap fee program. Wrap fee programs are how investment advice is offered within a product management organizational structure within major firms. As a consequence, your counsel and the value you add is limited to the mutual funds within your mutual fund wrap fee program. By extension, advice within a narrow product silo, like mutual funds or managed accounts, adds value only if all the client's assets are in the mutual funds or managed accounts within your firm's mutual fund or managed account wrap fee programs. Of course, for individual investors who have assets in 401(k) plans, defined benefit plans, IRA rollovers, trusts, stocks, bonds, insurance contracts, etc., it is not possible to add value or counsel clients on all their assets through a wrap fee program. If you don't have all the client's holdings as a point of reference, it is not possible for you to determine if your recommendations improved return, reduced risk or enhanced the tax efficiency, liquidity and cost structure of the client's assets as a whole. Yet all clients want their advisors to add value. Our industry's top advisors have discovered, in order to add value, they have had to personally assume the initiative to create the processes and technology necessary to address and manage a broad range of investment and administrative values incorporating al their clients assets as required to fulfill their fiduciary responsibilities.

IF YOU DON'T HAVE ALL THE CLIENT'S HOLDINGS AS A POINT OF REFERENCE, IT IS NOT POSSIBLE FOR YOU TO DETERMINE IF YOUR RECOMMENDATIONS IMPROVED RETURN, REDUCED RISK OR ENHANCED THE TAX EFFICIENCY, LIQUIDITY AND COST STRUCTURE OF THE CLIENT'S ASSETS AS A WHOLE

Here is how they do it. Rather than use a client profile derived from a ten question questionnaire common in wrap fee programs, top advisors create legitimate statements of investment policy as required by regulatory mandate with legal opinions stating that you are fulfilling your fiduciary obligation under the appropriate regulatory authority of UPIA, ERISA, MPERS and UMIFA. They evaluate their prospective client's portfolio as regulatorily required, performing an asset/liability study. This allows top advisors to illustrate to prospective clients how they can significantly improve their financial well-being by addressing very specific investment, administrative and fiduciary values that are not now being addressed. This authoritatively establishes the investment advisor and their counsel as being the value added in the engagement of their services. It has nothing to do with investment products and everything to do with being accountable in addressing and managing values (risk, return, tax efficiency, etc.) that are essential to the client's success and well-being. The performance monitor of top advisors incorporates all their client's assets so it is possible to add value rather than just reporting on their client's assets held in wrap fee programs. In creating their own investment process and the associated staffing and procedural and technological infrastructure within their practice necessary to add value, they are creating a value proposition that will allow them to compete very favorably with the vast majority of advisors who are engaged in commission sales where there is no infrastructure that would make it possible to add value.

So how does the average financial advisor create the staffing and procedural and technological infrastructure necessary to add value to deliver the value proposition of top advisors? The first decision you make when bringing your investment process in-house is that in order to build your advisory services business, there must be a division of labor which separates client service/acquisition (your dominant skill set) from portfolio management/construction/administration. You will quickly learn there is far more value to be added by leveraging expert processes, technology and staffing than one can possibly add on their own while trying to manage and build client relationships. A freshly minted MBA who is eager to learn, who is interested in partnership potential, should run $55,000. They would be your technical analyst and manage portfolio construction and staffing, while monitoring issues within your practice. You will spend $5,000 putting your technical analyst through the on-line CIMA program offered by IMCA and the on-line Accredited Investment Fiduciary Auditor (AIFA) program offered by the Center for Fiduciary Studies, and enrolling them in the CFA curriculum. If you

haven't taken these courses, particularly the CIMA and the AIFA, you should. You should budget $10,000 per year for professional development and training within your practice. In one week, CIMA gives you the language of investment management consulting and educates you on how to evaluate investment managers and engage in more sophisticated forms of portfolio construction. In three days, AIFA gives you an authoritative understanding of fiduciary responsibility and the investment process necessary to manage fiduciary responsibility. This is an invaluable credential at the upper end of the market, where fiduciary responsibility is viewed more seriously. You will be able to speak authoritatively on fiduciary responsibility, and you can formally engage your services in conducting fiduciary liability audits for institutions, fiduciaries and investors interested in high level counsel. In addition to your technical analyst, you will also need a person to manage practice administration who would act as your chief operating officer. They will have significant client relationship management responsibilities in your absence, will exercise excellent attention to detail and will be a mission critical member of the high performance business team you are creating. Your administrative/operations colleague will run $45,000. This leaves $170,000 to develop the processes and technology necessary to add value.

Your guide to developing your investment process and the associated technology necessary to add value are the fiduciary responsibilities of the financial advisor acknowledged in 1963 by the SEC and embodied in public policy passed by the U.S. Congress (ERISA, MPERS, UMIFA) and state legislatures (UPIA). The regulatory mandates of UPIA, ERISA, MPERS and UMIFA establish the level of counsel required by advisors to fulfill their fiduciary responsibilities. By extension, over the past 30 years, advisors who were working within these constraints have developed a six financial services investment process which facilitates advisors to both manage their fiduciary responsibilities and to address and manage a broad range of investment and administrative values required under regulatory mandate. The Center for Fiduciary Studies is the definitive resource and authority on fiduciary responsibility and the associated six financial services investment process through which value is added. The six financial services that comprise the investment process are, in sequence, (1) the asset/liability study, (2) investment policy, (3) strategic asset allocation, (4) manager search and selection, (5) performance monitor and (6) tactical asset allocation. (See our web-based article entitled "Center for Fiduciary Studies Proposes Practice Standards," *Senior Consultant,* December 2000, which cites the code, case law and regulatory opinion letters that support the six financial services investment process. If one is going to build a value proposition like that of top advisors which will facilitate you and everyone in your practice to consistently deliver an extraordinary level of professional investment and administrative counsel to fulfills your fiduciary responsibilities, your practice should be built around the six financial services investment process noted.

THE FEAR OF FIDUCIARY LIABILITY, WHICH CONSTRAINS THE SUPPORT THAT COMMISSION BROKERAGE FIRMS ARE WILLING TO PROVIDE, CREATES THE OPPORTUNITY FOR OUR INDUSTRY'S TOP ADVISORS TO LITERALLY WIN TOP ACCOUNTS AT WILL FROM THEIR COMMISSION BROKERAGE BRETHREN

The reason why the commission brokerage industry is not providing this process, technology and staffing infrastructure lies in their fear of acknowledging the fiduciary responsibility of their advisors. Commission sales is a simpler business model that just entails trade execution and custody. Because of this, most advisors at most commission brokerage firms (whether you call them brokers, planners or advisors) would not fare well if they were to be accountable under their fiduciary obligations for their counsel. The fear of fiduciary liability, which constrains the support that commission brokerage firms are willing to provide, creates the opportunity for our industry's top advisors to literally win top accounts at will from their commission brokerage brethren.

Until recently, providing high level counsel was extremely labor intensive, which is why only the largest of institutions could afford expert counsel. The most laborious task was the most essential, the tracking and evaluation of all of a client's holdings, which is manifested in both the asset/ liability study and the performance monitor. This work is less laborious for institutional accounts where it is not uncommon that most assets are managed accounts and are custodied with one custodian. But for individual investors who own stocks, bonds, managed accounts and mutual funds, and who have assets held in trust, e.g., insurance contracts and retirement plans, and who have mortgages, business lines of credit, and consumer debt, it is far more complex and laborious. This is particularly true of assets custodied outside your firm. The reason why you will eventually custody as many of your clients' assets as possible within your firm is that it is faster, better and cheaper for both you and your clients in achieving a higher level of counsel. This is also why our industry's top advisors prefer institutional business. Institutions have fiduciary responsibilities which require your counsel and have more assets and fewer accounts custodied at one institution. This significantly lowers your cost and the administrative complexity of your business. This is also why your account minimum for individuals should be at least $250,000 to $500,000. Most top advisors have very high account minimums, in the millions, and primarily work with certain types of institutions.

The aggregation, verification, reconciliation and managing of data from multiple sources into a common format has been cost prohibitively expensive until recently. Thankfully, several account aggregation firms have emerged, led by Pat Gardner at ByAllAccounts, which have greatly reduced the labor intensity of aggregating account information. These firms have also incorporated analytics that will establish the risk and

return characteristics of the aggregated data. This technology also provides electronic messaging when the portfolios need to be realigned with their asset allocation benchmarks. With a few analytical adjustments of your design, which measure tax efficiency, liquidity and cost structure, this electronic asset/liability study is perhaps the single most powerful sales tool at your disposal. It should be noted that without industry protocol standardizing the transferability of data, it will never be possible to have totally reconcilable data by virtue of the reporting periods and formats of each firm being necessarily different. Yet, firms like ByAllAccounts can deliver 97% accurate data every day, rather than having to wait 15 days after a month or quarter. It saves you the time and incredible burden of having to manually track and verify thousands of accounts for your client base. This breakthrough in technology is one of the reasons why it is currently possible for the average advisor to provide the same level of counsel to individual investors that was only available to institutions just 10 years ago. It also allows smaller accounts, even those below $100,000, to be cost effectively evaluated. Accounts of less than $100,000 are just not sufficiently profitable to engage your professional investment and administrative counsel.

ByAllAccounts runs $65,000 the first year and $45,000 the second year for the first 220 household accounts, and $140 per account for the next hundred accounts. Thus, the cost for the asset/liability study should run $65,000, leaving $105,000 to fund the rest of your investment process.

Investment policy is the heart and soul of the investment process because it is the working document you use to explain the roles of the consultant, the investor and the money manager. You establish how you hire and fire managers, you define the client and their goals and objectives in very intricate terms, you establish the values you address and manage, you identify the benchmark against which the client's portfolio will be measured and the recommended configuration of investments by style weighting, and you define your responsibilities as an advisor/investment management consultant and the responsibilities of the client and the money manager. Creating a custom investment policy statement requires extensive knowledge of the client, investments and fiduciary responsibility, and can take hundreds of hours. Thankfully, Rowe Decision Analytics (RDA) has created an investment policy capability which will soon be on-line at InvestmentPolicy.com that address the high net worth market and all the institutional market segments. All these templates are designed to be customized for each client, minimizing the time required to create institutional quality statements of investment policy in just a few hours. Importantly, legal opinions can be generated to state investment policy and to ensure the associated portfolio falls within the regulatory constraints of UPIA, ERISA, MPERS and/or UMIFA. Investment policy capability should cost $1,500 per year, leaving $103,000 in your investment process budget.

Strategic asset allocation is available at little or no cost from multiple sources. You and your technical/administrative analyst may have interest in going beyond strategic asset allocation and using tools such as Monte Carlo Simulation, which help explain risk and return to individual investors in lieu of the institu-

tional explanation of risk. Monte Carlo Simulation also explains the random nature of the capital market performance and establishes a more realistic probability of success. We budget $2,000 for tools like Monte Carlo Simulation that help you in formulating a strategic asset allocation for your clients. This leaves $101,000 for the rest of the process.

Manager search and selection lends itself to outsourcing. Because of the expense of analytical tolls, access to managers and the on-going nature of due diligence in a dynamically changing business and investment environment, a second set of eyes fully dedicated to manager research and evaluation is well worth the cost, as it establishes you as the value added independent of your firm. By outsourcing manager research, your technical analyst can focus on portfolio construction monitoring and strategy. A core/satellite strategy built around risk budgeting with ETFs as a core holding will require higher skilled managers. To fulfill your fiduciary responsibilities, you are required to engage non-related "prudent experts" to manage your clients' assets. This will require expertise in evaluating managed account and mutual fund managers to include exchange traded funds. Prima Capital is emerging as the industry's leading outsourced manager search and selection organization. Their research on managed accounts and mutual funds runs $9,500 to $13,500 for specific portfolio recommendations. Depending on the strength of your technical analyst, you may want to engage Prima's counsel on specific portfolio recommendations until your collective judgment is seasoned, but even if it is, having a highly skilled second opinion is wise and prudent counsel. Your technical analyst, in concert with Prima Capital and the services of your firm, should be a solid foundation around which you can engage "prudent experts" in your construction and management of portfolios. If you are active in the institutional market, relationships with large institutional consulting firms (their focus is on the $100+ million market) can be helpful but will require a retainer fee of $100,000 per year. If you engage Prima Capital for $13,500, that leaves $88,000 to fund the rest of the investment process.

The selection of your performance monitor establishes how you will report to your clients, and the depth and breath of the values you will address and manage. If you are working within a major firm, the good news is reporting is free, but you must work within the constraints of the reporting that is made available to you. In many firms, reporting on managed accounts is limited to a separate performance report on each managed account in which each of your clients have invested. You must, in turn, use an Excel spreadsheet to create a composite performance monitor that includes all the managed accounts and all the other client holdings in whatever form (mutual fund, ETFs, individual securities, etc.) they make take, that comprise your client's investment portfolio. As a consequence, many of our industry's top advisors have created their own performance reporting function which can consume a substantial portion of your operations/ administrative support person's time each quarter. This sadly has made the Excel spreadsheet the industry's top performance reporting tool. The account aggregation services of ByAllAccounts has greatly reduced the labor intensity of aggregating account information into a usable form, especially for assets custodied outside your firm. The popularity of fee-based brokerage accounts is driven by the fact that a composite performance monitor can be generated on all assets custodied within those fee-based brokerage accounts, which significantly reduces the administrative burden of reporting on the assets your firm custodies. Morgan Stanley's billion-dollar, web-based Lydia system facilitates, among other things, composite performance reporting and analytics on all assets custodied at Morgan Stanley. Wachovia Securities, Merrill Lynch and others are developing this capability.

ONE OF THE MOST IMPORTANT ASPECTS OF A PERFORMANCE MONITOR IS YOUR IN-DEPTH REVIEW OF EACH MONEY MANAGER YOU ENGAGE

If you are an independent advisor, your subaccounting and performance reporting capability is likely tied to your trade and order routing system. Systems like Advent's Moxie (trade and order routing) and Axys (accounting and reporting) are very popular portfolio management systems around which advisors and money managers build their businesses. Firms like CheckFree Investment Services, which offer the same functionality at the institutional level, are considering making it available at the advisor level. These systems are AIMR compliant, can automatically report on any configuration of assets, can automatically rebalance portfolios, offer extensive training and support, and are very expensive. This is because it is a technology that makes it possible for you to efficiently deliver your value proposition. If you tried to replicate the functionality, accuracy and support of this technology and the level of investment and administrative counsel it fosters, it would be cost prohibitive. This technology can be unbundled so you can just use Axys for subaccounting and reporting, cutting your cost in half, if you are tied to your firm's trade and order routing system. The benefit of the total system is that you have total control of all your client accounts and assets on a stand-alone system that you own, that is independent of your supporting broker/dealer. Advent should run $75,000, leaving $13,000 to fund the rest of your investment process.

One of the most important aspects of a performance monitor is your in-depth review of each money manager you engage. Though Prima Capital is very capable of selecting investment managers that can act as "prudent experts," you may want to eventually incorporate style-based attribution analysis so that you and your technical analyst can zero-in on the "skill versus luck" issues pertaining to evaluating asset managers. This is a very high value point of differentiation. At some point, perhaps not initially, you will want to leverage Prima Capital's use of style-based attribution analysis or avail yourself to PPCA's style-based attribution analysis, bringing it in-house. In year two, when the cost of account aggregation drops from $65,000 to $45,000, we have budgeted $14,000 for PPCA's style-based attribution analysis.

One of the most exciting aspects of dealing with real-time information and web-based technology is that we can take this data far beyond one-dimensional performance reporting and use it to more dynamically manage our clients' portfolios. Bullrun Financial's real-time monitoring, analytics and attribution technology linked to Advent is extremely important in more closely managing a very high level of portfolio detail for very large numbers of accounts. Rather than waiting each quarter to evaluate the key performance values (risk, return, tax efficiency, liquidity, cost structure, etc.) outlined in the investment policy and essential to each client's success, it is possible to electronically establish these values as constraints within which each client's portfolio must be managed (Upstream linked to Bullrun Financial, in effect, ties the values outlined in investment policy to a real-time performance monitor) and very powerful analytics (Quantal linked to Bullrun) can be brought to bear that allows your technical analyst to facilitate an extremely high level of counsel. You will know at all times how the portfolio, each manager and each holding is performing. Managed account managers will be monitored as a range of specific holdings, and you will know in aggregate how all those holdings look as a portfolio. Bullrun Financial has four investment methodology overlays that help you and your technical analyst understand what sectors are coming in and out of favor and why. Your technical analyst will monitor in real-time the sectors that are underperforming and will short those underperforming sectors of active managed account managers while maintaining the integrity of the underlying managed account. The coordination and management of this level of detail adds significant value, rather than waiting to the end of each quarter to take action. Bullrun Financial allows your technical analyst to assure all your portfolios are being managed within the constraints of investment policy because trades that take the portfolio outside of policy mandates are electronically suppressed (Upstream) and managed by exception. Bullrun, in essence, allows you and your technical analyst to manage a very large number of custom portfolios with great attention to detail (Quantal). We have budgeted \$6,000 for Bullrun and \$7,000 for the Upstream and Quantal links, fully expending the \$280,000 budget for one building their own investment process.

Tactical asset allocation is embodied in portfolio rebalancing in the portfolio management technology you engage (Advent) and in the four investment methodology overlays incorporated in Bullrun Financial's real-time monitoring. Style-based investment methodologies like Rowpyn, which help you understand what investment managed styles are coming in and going out or favor, can also be very helpful in tactically repositioning assets. We have previously budgeted for Bullrun Financial and Advent.

So, for \$280,000 you, and perhaps the business partners of your choice, can create your own investment process that allows you to add value in ways not possible in commission brokerage or wrap fee programs. You own this process and its value proposition, and in the engagement of your professional investment and administrative counsel, you can fulfill your fiduciary obligations by addressing and managing a broad range of investment and administrative values required by regulatory mandate. This is the high level counsel of top advisors who continue to grow their business even in today's terribly difficult investment environment. You are creating a cost structure that will actually go down as you grow your assets under advisement, rather than being a fixed percentage of assets. Because everyone in your practice is working through an investment process through which value is added, your business is no longer just built on your personal relationships but is built on a process through which you add value for your clients. This allows you to create transferable value in your practice. You can retire. Your colleagues can become partners and acquire your practice, continuing to build and grow the business around the investment process with which they have helped to evolve. This is not a list of clients and their phone numbers. This is a high value advisory services firm structured to engage its counsel as required by regulatory mandate for an on-going advisory fee for high net worth and institutional clients having assets in excess of \$500,000. Depending on your market area, you may want to only serve high net worth or institutional investors with higher or lower account minimums.

If you are with a firm like Morgan Stanley that can do composite reporting on all custodied assets, and you are pleased with the range of values and information in their performance reports, and if Morgan Stanley were to gain access to rich useable account aggregation technology like ByAllAccounts, the cost of your investment process could be cut in half. So we are getting close to an environment where more and more advisors will find it economically viable to build their own investment process necessary to fulfill their fiduciary obligations and add value.

Because of today's difficult investment environment, the opportunity has never been better to differentiate yourself with high level counsel and to win substantial client assets. The key to your successful execution is whether you have the infrastructure, processes and technology that foster the high level counsel of our industry's most accomplished advisors. Hopefully you will join the ranks of our industry's top advisors, whose innovation has pioneered a path to execute high level counsel that we all would be well advised to follow. ■

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