



Using Technology & Software for Service Delivery

Financial Planning has come a long way in India. But to take a quantum leap from now on planners may have to harness the technology, which aids them to connect to their clients in a more effective and efficient manner.



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Technology is ubiquitous, touching almost every part of our lives, our communities & our homes. Technology and various financial software applications have impacted the financial advisor community and changed the way planners do business in a big way. It has empowered advisors to perform a multitude of tasks, which used to require much more time and energy. Part of this can be attributed to an Indian trend towards computer literacy and technology rich products and services.

Growth in Computer Literacy in India increased at a dizzying rate of more than 25% from 2007 to 2008, according to a 2008 study by I-CUBE, produced in association with Internet and Mobile Association of India, by IMRB. Most computer literates access the internet. Internet users as of March 2008, stand at about 87 million, most of them urban. Indians are increasingly comfortable with technology and have access to it, because of the growing middle class. The Mass affluent (between US\$25,000 and \$125,000 income) will have a total population of 1.8 million households by 2012. The Mass market (between US\$5,000 and \$25,000) will have a total population of 39 million households by 2012. These people will need Financial Planning, delivered in an efficient, customer-centric and transparent way.

One of the key drivers of this movement in India, states I-CUBE, is the increase in usage of E-commerce applications which include, in the financial world, online bill payment, accessing bank accounts and investing in shares and stocks. All these areas are key to Financial Planners as they mean the following:

- A more financially literate, informed client is more apt to choose a Financial Planner and take better care of his /her financial situation.
- The increased use of technology and familiarity with it means

customers are more likely to easily accept online applications, and may even expect such things associated with faster, better, more accurate service.

The problem is that many advisers, whether they are Financial Planners, stockbrokers or insurance agents, do not take full advantage of what technology and financial software have to offer to run their businesses profitably. This could be because financial advisors and planners hold off making investments in technology, waiting as long as possible for the latest and greatest financial software. Other factors contribute, such as the lack of wide availability of custom-tailored products for the Indian market, their expense, and their adaptability to specific planners' needs.

A Financial Planner's job is to be in front of clients, cultivating referrals and growing his business. Precious time can be wasted on routine communication, financial

Growth Rate of Urban Internet Population



Source: 2008 study by I-CUBE, produced in association with Internet and Mobile Association of India, by IMRB

calculations, analysis and research which can be resolved by implementing appropriate financial software as part of the business.

If the planner gets a handle on technology and uses it effectively in their business, it will make all the other challenges easier to tackle.

Online Planning

Some new online applications are changing the way planning works. Some websites are also providing Financial Planning services. These come at a lower cost, since customers come to the site of their own accord, fill out the forms themselves on how much they own, earn, invest, and their goals, the cost of acquiring a customer is greatly reduced. Add that to the fact that precious time is not spent helping the customer fill out the paperwork, chasing down additional information, or persuading the client to actually send you the final details you need regarding their insurance policies. Shweta Jain, a CFP^{CM} practitioner, at International Money Matters, which partners with one such service, Investmentyogi.com, states that it takes her 12 hours to create a traditional Financial Plan using Excel, not including client meetings. It now takes her less than half the time to do a plan using the online system afforded by the partnership.

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This doesn't mean face to face interaction is out. Often a client will want to meet up following the initial plan preparation, especially if they wish to go farther and sign up for investment planning or insurance counseling. This is an excellent opportunity to offer other services, such as estate planning, detailed retirement planning or purchase of mutual funds to complete their portfolio.

However, it isn't always necessary for the most simple and basic financial plan to have numerous meetings. According to one nationally recognized Wealth Management firm, the average cost of each client meeting is Rs 800. The meetings must be used wisely on the prospective customers that seem to need the in-depth plans and profiles and could benefit from more face time.

The advantages of having clients report information online are great. Much of the planning process involves entering data from client's bank statements, insurance certificates and other financial documents. Having the client enter it means less opportunity for errors.

When the customer has entered 90% of the data and it requires only small corrections. The saved man-hours (employee time) can be redirected to other, more important tasks, like defining portfolios and meeting with customers. This translates to cost savings, especially in an economic crunch time.

Some online Financial Planning portals allow for an automated Basic Financial Plan preparation where the basic calculations are done by the software. When a more complex and in-depth plan is desired, the web portals can deploy more sophisticated software and back it up with advisers who work in real time on the plans.

In essence, every plan is tailored to the customer's needs and technology allows it to happen. Customers from all over India, regardless of city, can fill out the profiles virtually. Some end up coming in for consultation, especially in cities served by Financial Planning offices. Many others continue the planning process by telephone and internet. Technology affords the opportunity to work without boundaries.

Risk Tolerance

International Money Matters' internal guidelines for financial plans recommend at least 3 in-person meetings before determining a client's investment plan. "We want to suss out their risk tolerance," explains Lovaii Navlakhi, founder and CEO, "We find the traditional risk tolerance tests don't always paint an accurate picture of someone's true risk preferences. We prefer to be the judge and determine this through conversation, getting to know the intimate details of their situation and watching how they navigate through the Financial Planning process".

Other planners, like Rich Chambers of Investors Capital Management in the USA, use automated software such as FinaMetrica to determine a client's risk tolerance. An Indian version of the psychometric test has recently been released. The language of the test has been modified to reflect differences in India; however the statistical norms are from the Australian population. "To date we have found that there are no statistical differences between Australia, New Zealand, US, UK and Canada. It may be that Indians are more or less risk tolerant than people from these countries but we expect differences to be small. Moreover, the report is always accurate (regardless of which country the client is from) because the group description as modified by reported differences is exactly what the client said in answering the test." states Nicki Potts from Research and Technical Services.

Software: Indian Planners still stand by Excel

Robust, high-quality financial planning software for CFP^{CM} practitioners is just beginning to be distributed and available in India, tailored for the local market. Some options are coming out such as OMNIMax, a Financial Planning & Wealth Management platform, from New Zealand. Some other foreign products are being introduced to the Indian Markets such as Figlo's Hawanedo from the Netherlands and AdvisorVision from the USA-based AdviceSoftware. Figlo has 14 years of experience with banks (ING, ABN Amro) and Individual financial advisors in the Netherlands. "As India is emerging, and at the early stage of Financial Planning, it can benefit from the things that went wrong in Western countries concerning Financial Planning, like lack of transparency and too much product driven advice, and start with the latest, compliant and most modern advice methodologies and software." states Albert van den Broek of Figlo. There are more plentiful solutions available for large financial institutions but finding a wide variety of quality, affordable software products for an individual CFP^{CM} practitioner is a challenge.

Jaideep Lunial, Director of Wealth Gyan in Chandigarh,

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does not use a complete Financial Planning software solution but rather a combination of customized excel spreadsheets and a software he developed in house for maintaining data on mutual funds. He has an extensive website which contains tools and calculators for clients to use. Jaideep feels that while technology is important, it is not indispensable to the financial planner. "Interpersonal and planning skills are so much more critical" he states. All customers get updates by emails and even SMS reports on the latest valuations of mutual funds and stocks.

The USA offers multiple software products for Financial Planning, investment planning, rebalancing, and portfolio management. These products are often highly evolved and very expensive, but can save you much more money in time, efficiency and improved customer service. Unfortunately most are not available for the Indian Market.

As a result, many Indian Wealth Management firms have developed proprietary software for their firms. This can be time consuming and expensive, but has the added ability

to give you exactly what you want, tailored especially for your firm and its needs. The USA based, Rich Chambers, CFP[®], of Menlo Park, California, develops his own software locally despite the plethora of choices in that country. "For the costs associated with sophisticated rebalancing software, and the features that I want, I get a far better product at a fraction of the price by having a local programmer create exactly what I need." Granted, Rich is one of the more technically advanced CFP[®] practitioners. He maintains an investment blog and conducts online meetings, in addition to running a website and managing all investment reporting and transactions electronically.

Indian Planners may need to invest more in Technology

Smaller firms tend to make do with Excel spreadsheets. While a powerful tool, there may be limits to scaling your business if you cannot move beyond this to more powerful and automated software for managing clients, their planning and their assets.

V. Sreekant, CFP^{CM} certificant and proprietor of Moneycare Solutions, says he uses online portals for portfolio and investment management due to their cost efficiency. "I use only a spreadsheet for planning. I see technology and financial software as excellent enablers or facilitators in providing quick and consistent service delivery to clients. Technology becomes absolutely essential while scaling up the practice."

While believing that technology can help, V. Sreekant still feels that "Technology can only play a secondary role in delivering Financial Planning service. The primary role will be played by the planner himself as he provides the human touch in understanding the client's needs, aspirations and attitude even while building trust. "

There is definitely a lot less use of technology in India than in the USA which could result from several things. There are less software programs available, which can be customized for Indian use and Financial Planning is a newer concept that hasn't been fully developed yet in India. When more CFP^{CM} certifiants would start practising, business and the demand grows, then maybe the products will follow.

Customer satisfaction and needs/wants

It is clear that customers want better service. They may worry about their money, in the uncertain times. The more information and communication they get, the better they feel. "Customers were nervous in the last year with the stock market going up and down," states Uday "They felt more comfortable when IMM sent out electronic newsletters on a

regular basis, along with reassuring emails.”

Taxes are always a concern. When customers can see how much they have to pay, such as with Tax Calculator tools found on many of the popular tax websites, they can see immediately how their taxes will turn out. This is reassuring. Taxpayers can also file their taxes online at various websites such as TaxYogi and TaxSmile. There is no replacement for an experienced Chartered Accountant when the situation calls for it, but often simple taxes can be done entirely online by the end user. These can be done online by the client or even by the planner or CA if the client lacks the time.

Technology allows planners to protect client investment account information and personal details of the clients. Client information needs to be safe guarded and maintaining confidentiality is one of the topmost concerns of most investors.

Testing and using financial tools online

There is much that clients can do themselves at this point and while planners may be worried about being out of a job, they should welcome the educational opportunities. Customers that do research are better educated, ask better questions and make better clients. The plethora of information on the internet is often so mind boggling anyway that your clients will rush to you begging for help just to make sense of it all. In a way, it can be information overload. The following tools are available on line, though people may not always be able to find them or make sense of them, exactly why they may need a planner as well. Not all of them are free.

- Ability to purchase stocks, bonds, insurance and mutual funds (verify)

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- Calculators for goals, retirement, household purchases
- Risk tolerance testing and recommendation
- Customer budgeting and planning

Many online websites offer budgeting tools to help people determine how much they are spending per month and on what, and how they can improve their cash flow management. There is a wide variety in the sophistication of such tools so people can choose to make simple or more complex budgets.

Some of these tools are linked to Financial Planning Software, so if someone subsequently wants to order a Financial Plan after filling out a budget, presto, the budget/expense section is already completed on the Financial

Planning profile page. Tools like this make it easier for clients to take control of their finances and understand the process of managing their money. Some budgets separate expenses into categories and allow you to plan over a period of several years. A number of popular websites also offer calculators for planning insurance, retirement and other goals. Moneycontrol and Itrust are two popular choices.

How can planners move to the next level of scaling their business using new technologies?

The first step is to evaluate your needs, where you want your business to go and how much you want to grow. Next you must investigate the actual available software tools and decide if one is for you or if you need to develop your own or improve upon an existing product.

Some things go without saying. Having a website is practically a requirement unless you live in a small town and have older/non web-literate customers. Make sure you are featured in online referral lists of various associations, organizations and governing bodies.

Next, look into tools that save you time. Reporting, rebalancing, newsletters, IPO updates and regular client communication are all time consuming and equally necessary and important.

How do planners in the USA use such tools to get ahead?

Raj Rajendran, CFP® practitioner and Chief Investment Officer of Family CFO Inc. uses Portfolio Center from Schwab Technologies to manage his client’s investments and Financial Planning. He is based in Los Altos, California and states “Almost all my work is online. I have a virtual office. My documents are stored on my computer and backed up by a remote backup service company every day. I could work from anywhere.” He enjoys travelling and knows he can always keep in touch with his clients virtually.

Unlike many, Raj does not feel the need for a website: “I am a boutique business; small number of high net worth clients. So I do not have a websites, like I would for a mass market.”

When asked how he sees technology and software affecting his business, he explains, “I have no direct employees; I have contracted for services and those companies have employees. Had it not been for technology, my business would need a lot more people and may not have been profitable. I never hesitate to spend money on technology. It is one of the greatest investments we can make in our business. Technology frees me up to do more value added work for the client.”

Sharon Lacy, another CFP® practitioner, working with Bedrock Capital, Los Altos, has a slightly different approach. She uses eMoney software for planning, Morningstar Advisor Workstation for Investing and Axys for Portfolio Management.

They run a website, access most software via the internet and do extensive research using the internet. All communication (including quarterly reports) is electronic unless the client requests paper.

Sharon, who worked for many years at Hewlett Packard, before becoming a planner, is very familiar with technology. When she joined Bedrock she brought valuable skills to the table in terms of technology know-how.

“Advisors have to make the tradeoff between cost and return-on-investment when it comes to choosing technology. If a planner can afford it, the technology exists to make their jobs more efficient which will allow them to spend more time dealing directly with client needs.” One important caveat up front is to realize, “Part of the cost is being willing to invest the time and effort needed to learn how to use the technology correctly.”

Ethan Pepper, CFP® practitioner, working with Wade Financial Advisory, Inc. in Campbell, California, uses NaviPlan as the primary software for Financial Planning “although we are considering and testing Money Guide Pro,” says Pepper. Schwab’s Portfolio Center is used for cost basis tracking and reporting. “Good old Microsoft Excel for investment/asset allocation planning,” says Pepper, echoing many an American and Indian Financial Planners. Makes you wonder why Excel doesn’t come out with a Financial Planning tool for CFP practitioners.

Regardless of the above mentioned points, it is imperative to be able to back technology with personal interaction, live client meetings and handholding when required. The problem with technology is that it might take away the personal touch which is very important while establishing your relationship with your client. A planner must be very careful in ensuring that clients are not left with a feeling of dealing with a machine at the end of the day.

To summarize, it is apparent that the overall increase in personal wealth has fueled the Financial Planning industry’s maturation. This maturation has, in turn, created a demand for technology to support the Financial Planning needs of both individuals and the Financial Planning industry itself. Financial planners must start considering investing in technology and using online support to enhance their services to clients and improve their profitability.

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Code of Ethics

The FPSB India Code of Ethics are general standards that shall apply to all classifications of membership, unless otherwise stated. Every member shall conform to the general standards set out in their professional activities and conduct.

Code of Ethic 1 - Integrity

Members shall observe high standards of honesty in conducting their Financial Planning business and shall offer and provide Financial Planning services with integrity.

Code of Ethic 2 - Objectivity

Members shall disclose to the client any limitation on their ability to provide objective Financial Planning services.

Code of Ethic 3 - Competence

Members shall provide competent Financial Planning services and maintain the necessary knowledge and skill to continue to do so in those areas in which the Member is engaged.

Code of Ethic 4 - Fairness

Members shall provide Financial Planning services in a manner that is fair and reasonable.

Code of Ethic 5 - Confidentiality

Members shall not disclose any confidential client information without the specific consent of the provider of that information unless compelled to by law or as required to fulfill their legal obligations.

Code of Ethic 6 - Professionalism

Members shall ensure their conduct does not bring discredit to the Financial Planning profession.

Code of Ethic 7 - Diligence

Members shall act with due skill, care and diligence in providing Financial Planning services.

Code of Ethic 8 - Compliance

Members must maintain knowledge of and comply with the Constitution of the FPSB India, the FPSB India’s Code of Ethics and Rules of Professional Conduct and all applicable laws, rules and regulations of any government, government agency, regulatory organization, licensing agency or professional association governing the members’ professional activities.