

Is a TAMP Right for Your Practice?

2 Key Decisions for a More Efficient & Profitable Practice

At a certain point, almost every advisor faces the challenges of how to make their practice more efficient and profitable.

Many advisors we talk to would like to build their practice, but find that as their business becomes more complex it is harder to carve out time to grow their client base while providing necessary services like portfolio management and trading, operations, client service and managing technology.

If this is a challenge in your practice, it may be time to consider two important decisions:

DECISION 1:

Do you build an internal team to manage every aspect of your business, or do you work with an external partner like a TAMP, so that you can focus more time on business growth and serving your clients?

This decision requires careful consideration and thought. Ask yourself:

- › Where do I spend most of my time, and is that the best use of my time?
- › What aspect of my business do I enjoy most and wish I could do more?
- › Am I spending enough time on growing my practice?
- › Do I spend enough time with my clients?

Talking to other advisors who outsource (and who don't) can also help. In addition, you may want to look at some of the research on why some advisors choose to build an internal team and why other advisors choose to work with an outside partner.

A 2016 Northern Trust Benchmarking Survey¹ asked advisors who currently use TAMPs what were the major factors behind their decision. 59% said they use a TAMP to free up time within their practice and primarily spend this extra time with clients and developing their business.

96% of advisors using a TAMP report being highly satisfied, and more than 60% report using their partner for more than five years. 52% said the primary benefit is spending more time with clients, while 48% cited the consistency of investment management processes.

If your research and careful consideration lead you to the conclusion that a TAMP might be the right solution, you then need to make one more decision....

DECISION 2:

How do you find the right TAMP for your practice?

It is important to find a good fit, since this partnership will be a long-term relationship. As you talk to various providers and do your due diligence, here are some questions that can help you gather all the information you need to make a wise choice for your practice.

Investments

You want to find a partner who shares your investment approach and philosophy, and has the tools and technology you need.

- Do you have an investment committee to support research? How often do they meet?
- Do you have model portfolios?
- Can I customize my portfolios outside of the models?

¹ Northern Trust, External Investment Management, Advisor Attitudes and Adoption: 2016 Edition

QUESTIONS TO ASK A TAMP

- › Can I implement tax loss harvesting?
- › Am I responsible for determining the correct asset location for client assets for tax-efficiency, or will you do it?
- › Can I implement one portfolio across multiple accounts within a household? Who determines how to do this, you or me?
- › Can I hold non-model positions without billing on them? Such as low-cost-basis stock?
- › Can I hold individual bonds?
- › Do you have portfolio analysis proposal systems? Who enters the holdings, me or you?
- › Do your portfolios integrate with comprehensive planning software such as MoneyGuidePro?
- › Do you have tax-managed portfolios and how are they created?
- › Do you have Socially Responsible portfolios and how are they created?
- › Do you have Sustainability portfolios and how are they created?
- › Will your trading team analyze the tax impact of selling positions prior to sale to avoid large tax mistakes?

Operations

There is no such thing as too much attention to detail when it comes to paperwork and customer service.

- › What is your process for tracking new account openings and account transfers?
- › Can you explain your rebalancing process and my role for rebalancing, if any?
- › Can you explain your billing process and my role if any?
- › Do I have one point of contact (relationship manager) for all of my operational needs?
- › Can I contact your trading team directly for efficiency?
- › Will you accept trade requests via email?

QUESTIONS TO ASK A TAMP

- › Do you have e-signature capabilities for the major custodians such as Schwab, Fidelity, Pershing and TD Ameritrade?
- › Can you explain how you create income from portfolios and what responsibilities you handle and what responsibilities I handle, if any?
- › Are you responsible for freeing up cash in portfolios when cash is low or do I need to do this? Can you explain your cash management process?
- › Do you handle all communications to and from my custodian or am I responsible for this?
- › Do you automatically mail performance reports to my clients or am I responsible for this? Can performance reports be custom branded for my firm?
- › Do you have on-demand client performance reporting capabilities, and the ability to create on-demand custom client packages?
- › Do you have specific operations conferences to train me and/or my staff?
- › Do you have an online client portal that is branded for my firm?

Client Experience/Practice Management

A true partner will not just help you run your business but help you grow your business.

- › Do you automatically send newsletters to my clients?
- › Do your portfolio systems integrate with MoneyGuidePro or other planning software?
- › What systems do you have in place to improve the overall client experience? Is this well documented and available for download?
- › Can you tell me about your practice management conferences? What type of content is taught?
- › How do you help me grow my business?
- › Do you have field consultants to help me grow my practice and improve my client experience? What is their background?
- › Do you have regularly scheduled advisor study groups to help me improve my business? What is discussed?

QUESTIONS TO ASK A TAMP

Whether you ultimately decide to work with a partner or bring everything in house, these questions can help you in your quest to build your practice and provide your clients with a better experience. Research tells us that most clients want to hear from their advisor more often. In fact, the most common reasons clients leave an advisor involve lack of communication rather than investment performance.

If you would like to free up more time for your clients by using a Third Party Asset Management Provider, talk to one of Loring Ward's Regional Directors at 800.366.7266 – Option 6. We're committed to helping you think through the issues and make the best decision for you and your clients, even if Loring Ward isn't ultimately the right fit.