

Case Study 5: Existing Hybrid RIA Seeking to Streamline Business Via Outsourcing Back Office and Portfolio Implementation

Highly successful, efficient, hybrid RIA firm managing \$150 million of mostly fee-based business across two principal advisors, was interested in 2-3 times growth without needing to add staff in the near future. The founding principal was planning to retire in the next 3-5 years and was ready to begin phasing a younger advisor into the primary role with all clients. The second principal, who had largely been responsible for back office operations, reporting, and trading, was already beginning to phase into retirement. The firm had one full-time staff person and wished to continue having this person manage all client-facing activities, while outsourcing the bulk of their back office, trading, reporting, billing, and technology responsibilities to a trusted third party. In addition to outsourcing these services, they had also decided to engage an outside investment research and mutual fund model signal provider for about half of their client accounts. The other half would remain invested in the firm's in-house mutual fund models. They were also dissatisfied with their performance reporting technology. The firm reached out to FocusPoint to explore outsourcing options.

Together the advisors at the RIA identified the following as their main goals relating to their business transition:

- 1) Hire a third party to handle new investment process, trade execution, and ongoing account maintenance. Additionally, outsource the day-to-day operations, trading, reporting, and billing (activities that had long been handled by one retiring principal) to a trusted partner.
- 2) Implement new mutual fund investment process and models across half of their client accounts.
- 3) Move performance history and data from old system to new.
- 4) Begin transitioning third advisor succeeding the founding principal into the primary advisor relationship/point of contact for clients.

FocusPoint worked with this firm to create a plan to meet their needs and help them to achieve their long-term goals:

- 1) In regards to the investment research/signal provider whose strategy they had chosen to implement in approximately half of their client accounts, the firm decided to hire FocusPoint to implement and execute the new trading strategy, then continuously maintain those accounts. This meant the day-to-day trade execution and liability, reporting, billing, and all other back office administration (uploads, downloads, reconciliation, tracking down transfers, setting up SWPs, rebalancing, cash management, etc.) on those accounts would be outsourced to FocusPoint. The firm also decided to partner with FocusPoint to assist with all fee-based client accounts outside the new investment strategy. Their commission business would continue to run through their B/D relationship.

2) FocusPoint collaborated with the RIA to formulate a customized plan to begin implementing the new mutual fund investment strategy and process across affected fee-based accounts, while setting other such accounts to the in-house mutual fund and ETF models the firm had designed and would continue to maintain. This was done in stages in conjunction with the client meetings the firm set up to discuss the positive changes they were making to their business model.

3) As an additional service, FocusPoint worked alongside the firm to move performance history from their old system to a new one.

4) As part of their overall transition process, in addition to discussing all the benefits clients would experience as a result of the changes happening at the firm, the founding principal took the opportunity to begin bringing the newest advisor into each client relationship. The firm began positioning that advisor as the primary point of contact for financial planning and meetings going forward.

By getting clear about their vision for growth and significantly increasing capacity without the need to hire additional staff, the RIA was able to do the extensive research, business analysis, and strategic planning necessary to find the best service provider/outsourcing partnerships to suit their needs. Today they have successfully transitioned all of their fee-based accounts to the new investment strategy or their in-house management/models. The advisor the founding principal chose to succeed him over the next 3-5 years is now the main financial planning contact for all of the firm's clients. This advisor is able to focus on business growth, marketing himself to and networking with the community. The RIA is looking forward to continued growth and sustained business capacity. The firm also has peace of mind that they have built a solid infrastructure and teamed up with capable business partners to assist them in reaching their goals.