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Clients, Cloud Computing and CTOs

by Craig Lemoine, CFP®

January 1, 2011 marked the death of the hundred-page financial plan. The date may have passed you by; there were a limited number of Hallmark cards marking the event. Even if you did not get a card in the mail, your smart phone likely sent you a text, perhaps “OMG PLN :- x.” Technology continues to march forward in the financial services industry. This year advisors will continue adapting how and where they engage, gather data, analyze plans and present recommendations to clients.

Last year saw arching trends continue from 2009. iPhones gained momentum, with CNN estimating sales of more than 30 million iPhones and 40 million BlackBerrys. These trends support a market reality: Your clients have smartphones. iPads raced onto the scene, with sales estimates around 10 million. You likely have a smartphone or iPad, as well. More importantly, your clients use these devices to follow up on sales, fact check, shop, dine out and engage in on-the-spot financial literacy. Clients continue to use technological tools to search for information and are less dependent on financial service professionals to provide knowledge. Instead, they rely on professionals to help them sort, filter and prioritize all that they find online.

Last year was a year of changing expectations for clients and advisors. Smartphone and instant communication have created a culture of now. Clients want instant access to their advisors through texts, social networking and e-mail. Advisors must balance immediate client satisfaction with compliance consideration and thoughtful answers. Establishing communication expectations and boundaries is critical for success with today’s client.

Advisor expectations also have taken a step forward. Advisors not only want to work in their office or the office of their clients, but also meet with clients at third-party locations—“Starbucks Planning.” “Cloud computing” became a buzzword last year and can help advisors satisfy their urge to plan with a cappuccino. Cloud computing allows users to work together simultaneously on a remotely located computer. Companies and individuals can efficiently outsource processing power to the cloud (a group of remote accessible computers) and dedicate their personal desktop or laptop computers to more immediate or local tasks. Financial advisors are beginning to benefit from cloud computing applications in home office environments, and will begin to realize the power of sharing software platforms with support staff and working in simultaneous and interactive software environments with clients. Independent advisors can benefit from innovations in cloud computing by downsizing their personal system. Paying monthly access fees to share part of a cloud-computing environment may be more cost effective than purchasing top-of-the-line PCs or notebooks.

Google continued to dominate the technology landscape and will likely continue to in 2011. Google Documents follows a cloud computing model and allows users to edit and share word processing, spreadsheets and limited presentation documents in a secure environment. A small firm may find Google Documents or a similar service a refreshing alternative to hosting a server and dedicated network computers at each financial advisor and support employee’s desk.
Firms often consider the financial cost of adopting new hardware, software or communication systems, but they rarely consider the lost productivity associated with updating and installation.

As markets slowly gain ground lost over the past few years, financial service professionals continue to be cost sensitive. Financial professionals must approach their communication and analytical needs with the same planning and diligence that they approach selecting mutual fund or variable annuity products for their clients. Financial service firms should use 2011 as the opportunity to charge a key employee or agent with the role of chief technology officer (CTO). A CTO must be responsible for answering key technology questions for any financial advisor or firm.

1. How do we communicate, plan and advise?
   What tools do we need to adopt to realize our ideal atmosphere?

Financial advisors have been challenged with hurdles in how to present information, case facts, documents and outcomes to clients. Is presenting a 200-page written financial plan the most effective method of coaching a client to act? Would a concise multimedia presentation and a shorter executive summary have a more meaningful impact? Firms must determine their culture before deciding on what tools they need to achieve it. Will clients call, e-mail, message or text advisors? Calling and e-mailing may not require any more than a phone and netbook, while video chat, messaging or secure texting could require firms to adopt BlackBerrys and high-bandwidth communication systems.

2. How much will we spend on technology, from computers to phones?

Generally, financial service firms should budget between 5 percent and 15 percent of gross revenue to technology costs. Consider investments in technology to have a tangible return on investment from one of two perspectives, time or referrals. A firm may choose to make an investment in camera phones to replace in-person office meetings. Assuming an upfront cost of $300 per phone, a CTO makes a $3,000 investment for a firm of 10 advisors. Each advisor saves about two hours a week commuting to the office. This $3,000 investment would save the firm about 1,000 hours of productivity annually—well worth the cost!

Alternatively, returns on investments can be measured in referrals. Spending $20,000 to equip a conference room with an 80-inch plasma television and sound equipment may seem excessive, but the wow factor from using those tools in a financial planning presentation will help the firm generate referrals.

3. Can we buy the latest and greatest toys, that is, are new technologies in compliance?

Unfortunately, a CTO must live in the reality of their home office. FINRA rules and recordkeeping are often well behind the latest and greatest communication tools and techniques available in the market. Consult the most technologically savvy compliance officer at your home office before adopting radical changes.

4. How will the firm implement changes and new acquisitions?

Firms often consider the financial cost of adopting new hardware, software or communication systems, but they rarely consider the lost productivity associated with updating and installation. A change as simple as migrating from an iPhone to a BlackBerry could present potential hurdles. How will the contacts be imported? How will e-mails be checked on the new system? Will my passwords change? Can I sync the new system with my old calendar? Consider the actual time costs associated with making any technology changes.

The CTO plays an important role in any financial services firm, and that role cannot be understated in 2011. Today's average million-dollar client has a home theater system, smartphone and more than 100 cable channels. Financial advisors must be able to create an experience to wow this client and make an impact in a very busy and cluttered world.