INDUSTRY INTELLIGENCE FROM A TECHNOLOGY LEADER

The Power of Consolidated Reporting

Consolidated reporting is a much sought after capability among wealth managers. Yet for many firms, big barriers remain in the way of achieving it in practice, according to the latest WealthBriefing/SS&C Advent survey.

Can your firm satisfy clients' demands for a complete and up-to-date picture of their overall financial situation by providing them with a holistic view of their holdings?

Delivering consolidated reporting can improve the client experience and cement trust in the relationship, according to the latest Wealth Management Technology & Operations Trends report[1]. It enables wealth managers to showcase their investment prowess to clients, can help enhance investment performance by improving acceptance of suggested changes in the portfolio, and increases the perceived value-add of financial advice. In addition, it can assist firms in boosting their wallet share by providing insights into where opportunities exist to expand the relationship.

For advisors, combining consolidated performance reporting with granular risk analytics will also engender better, more strategic investment decisions in both the short and long term, notes the report. Determining precisely where gains were made versus expectations "is invaluable intelligence in today's highly unusual investment environment," it adds.

Limited provision

Yet while consolidated reporting is a coveted capability among wealth managers, the Technology & Operations Trends survey found only a quarter of institutions are currently aggregating data and reporting on assets held away from the institution. A further quarter of respondents are set to implement this facility shortly.

For the 50% of respondents who said their firm has no solid plans to offer consolidated reporting, only 11% attributed this to their institution having little interest in doing so. "The remaining 39% are seemingly keen to offer consolidated reporting but feel the barriers are insurmountable," notes the report.

Biggest obstacles to consolidated reporting

The survey found a range of barriers are holding back those firms that would like to offer consolidated reporting. There is one clear front-runner though: "the difficulties inherent in putting the necessary data feeds in place and achieving the right level of connectivity between external data sources and in-house systems." This was rated as a top-three barrier by 83% of the survey participants, and was cited as the number one difficulty stifling their aspirations by 53% of firms, more than double the 24% that anticipate problems working with external parties.

Fears about the implementation costs involved in offering aggregated reports that cover both in-house managed and "away assets" also rode high in wealth managers' considerations. So although only 9% said perceived costs were the number one reason not to provide consolidated reporting, "over half (54%) placed it in their top three."

[1] *Technology & Operations Trends in the Wealth Management Industry 2017*, WealthBriefing and SS&C Advent

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Tackling asset pricing complexities

Difficulties in dealing with the different pricing methodologies used for the array of asset classes and instruments clients might require was another significant factor. Among the respondents, 39% gave it a top-three ranking, with 9% saying these pricing fluctuations were the number one issue holding them back.

As the report points out, the different types of assets clients hold is one of the most crucial, and often overlooked, aspects of providing consolidated performance reporting. And the higher a client's net worth, the more complex their reporting requirements tend to be.

According to the report, "it is not unusual for clients at the upper end of the wealth scale to hold 50% of their wealth in illiquid, longer-term classes such as private equity, real estate, infrastructure, private loans and hedge funds. The timing and sourcing of all the necessary Net Asset Valuations and then combining the illiquid and liquid parts of portfolios on a case-by-case basis can pose massive challenges, both technically and otherwise."

Flexibility of approach

As with all areas of the wealth management proposition, tailoring services to clients' demands—and doing it cost effectively—is crucial. Firms need to recognise that "investors with similar investment profiles (and even very mainstream tastes) may want to interact with performance data in different ways, at different times," observes the report.

Some clients, for instance, may want to segregate assets into different buckets, such as by mandate or asset class. Others who are less engaged with the management of their portfolios "will only want to see the metrics most meaningful to them at a given point." This may also mean clients will want access to consolidated reporting at certain key times, but consider it information overload ordinarily. Then there will be those who do not want consolidated reporting, but would rather preserve multiple, distinct relationships by not sharing information on all their assets with a single provider.

Having the flexibility to increase or decrease the quantity and depth of information provided, and the ability to present data in an intuitive way that helps clients make smart, holistic decisions about their portfolios, "will therefore be key to providing the level of personalisation the industry promises," states the report.

Tools for the job

Improving client engagement is an increasingly important factor in wealth management firms' success in attracting new clients and retaining existing ones, and thereby driving and protecting revenue. As the report observes, performance reporting "remains undoubtedly the key communication in client relationships." Yet importing and standardizing data from hundreds of sources in various formats remains one of the most laborious and compliance risk laden parts of the client lifecycle.

Given the many challenges consolidated reporting entails, and possibly mixed and fluctuating demand from some client segments, "wealth managers may feel safe to leave this to third-party investment consultants. However, saving clients this additional (possibly significant) expense is a powerful goodwill play," the report points out.

Fortunately, for those firms willing to go the extra mile for their clients, functionality-rich and intuitive reporting and portal solutions that can incorporate access to external data sources are available. By leveraging these powerful consolidated financial information capabilities, wealth managers can provide clients with the complete wealth picture they increasingly want to see.

For a copy of the full report, "Technology & Operations Trends in the Wealth Management Industry 2017," contact your SS&C Advent representative or email emea@advent.com.

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