



InvestmentPOD Content Series

The Path to ROI: Unbundling Expensive TAMP Options Through Technology

New Opportunities

In a rapidly changing industry, advisors today need to re-think their traditional approaches to providing financial advice and investment management services. Technology advancements have recently taken many of the costs out of the investment management process for investors and advisors alike. So much so, that the industry is seeing new, better and lower cost models become the go to solution vs. traditional options.

For years, advisors have defaulted to a turnkey asset management platform (TAMP) to provide a convenient solution for gaining access to hundreds of money managers and investment strategies to provide clients with well-diversified portfolios. However, with this convenience have come high costs that are dampening investor returns as well as advisor incomes.

The good news for the industry is that these high costs have spurred much innovation to find more efficient and lower cost options to better streamline the investment management process for advisors and their clients. New product innovation, such as the ETF, has generated powerful benefits that are making these highly flexible and low cost products superior to the mutual fund and managed account structure. Combined with sophisticated algorithms, virtually any strategy can be replicated and implemented at a much lower cost.

Add in automation for trading and rebalancing along with a digital client onboarding capability, and advisors now have access to a complete, technology-enabled end-to-end platform, freeing up their back office and investment management functions to pursue more highly valued services. Additionally, as investment management is rapidly becoming commoditized by online robo advisors, advisors reliance on passive, buy and hold strategies is no longer differentiating themselves, putting pressure on maintaining their 1% fees. Advisors need to up their game to provide more sophisticated investment services in order to remain relevant in a more competitive and challenging environment.



Technology Driven Solutions

The new path forward for advisors is to begin to start leveraging technology innovation in the form of investment management automation platforms that can be white labeled to the advisors branding while providing a more robust offering through multi-strategies for both asset and strategy diversification. This more sophisticated investment offering provides advisors with a powerful and differentiating marketing message vs. the buy and hold advisor who is rapidly becoming commoditized by low-cost, or even free, robo advisors and the discount brokers.

As the example below shows, advisors are able to save clients roughly \$2,000 per account per year, while providing more robust and sophisticated portfolio options in the form of both asset and strategy diversification, along with a digital, enhanced client experience. Multiplied over a 100 clients and these annual savings can be in the hundreds of thousands of dollars every year.

These savings can be passed along to the client, absorbed by the advisor to enhance profitability, as well as provide advisors pricing flexibility to reduce fees to remain competitive, while still maintaining profitability.

For a \$500,000 account with a 60% stock / 40% bond asset allocation:

Investment Management Services	Traditional TAMP	InvestmentPOD	Savings Per Account
Platform Fee	15 basis points = \$750	None	\$750
Money Managers / Strategies Fee	40 basis points per strategy = \$2,000	20-40 basis points depending on account size for up to 11 strategies = \$1,500 (30bps for \$500k example)	\$500
Trading / Rebalancing Fee	15 basis points = \$750	Included	\$750



SUBTOTAL	\$3,500	\$1,500	\$2,000
Financial Advisor's Fee	100 basis points = \$5,000	100 basis points = \$5,000	\$0
Total costs to investor	\$8,500	\$6,500	\$2,000

Source: Nexus Strategy, LLC

For a typical advisory business with roughly 120 accounts and an average account size of \$500,000, firms can realize an aggregate savings of nearly \$240,000 per year.

What You Need to Do Next

Clearly, technology is creating new options for advisors to re-think their traditional practices in order to deliver enhanced services to clients, while providing a better economic model for their businesses.

Advisors owe it their clients, their firms and themselves to examine the true costs that they and their clients are paying to provide investment management services. The antiquated TAMP structure has served a great purpose in consolidating into one platform an opportunity for advisors to leverage their time and resources. However, in this technology enabled age, the TAMP has become a bloated and expensive proposition, rapidly being replaced by new investment automation technology platforms.

Leading advisors are investing their time and resources to determine how they can streamline their back-offices, identify the costs they are paying and find better solutions.

InvestmentPOD is leading the way in transforming how advisors can deliver sophisticated investment management services by making all of this possible through its award-winning innovative structure, advanced technology and research-backed approach. Founded by industry veterans, hedge fund pioneers and technologists, InvestmentPOD is the only multi-strategy, white label investment automation platform available to advisors.

To learn more, logon to www.InvestmentPOD.com