

TechTalk: Carpe Datum, Part II

by Ed McCarthy, CFP

Part I of this column, which appeared in the [November 1999](#) issue of the *Journal*, discussed the data integration problems that financial planners frequently encounter. Of course, planners aren't the only group in the financial services industry struggling to get their information technology (IT) up to speed. These problems are pervasive, and even very large institutions aren't immune.

For example, I have accounts with one of the Northeast's largest banks. The bank offers Web-based account management, which is very handy for transferring funds among checking, savings and credit accounts. I also have a money market fund with the bank's brokerage division. Here's the rub: You can't get online brokerage account information, although the bank has been working on it forever, it seems. As a result, you can't electronically transfer funds between your money market fund and checking account. So instead of clicking a few buttons on your PC's screen, you must write and manually deposit checks to move money in and out of the money market fund. The bank claims to allow transfers by phone if you complete the required authorization form. But after having two requests for this mythical form ignored, I've given up. My New Year's resolution is to find a bank that has better online account integration.

If a multi-billion-dollar bank can't make their systems talk to each other, how can the average planner hope to achieve an acceptable level of IT integration? Here are some thoughts.

Develop IT Skills Internally

I'm not suggesting that planners become programmers—that's poor use of a good advisor's time. Ideally, you would have a staff member whose job is to make your IT serve your practice's needs so you could focus on serving clients and running the business. But it's a Catch-22 for very small shops: How can you afford to pay the salary needed to retain a technically competent staff member?

There's another problem with this approach. I doubt that most planning firms have enough work to keep a software developer busy full time. It makes more sense to train staff to the power-user level—they master the firm's software but don't work with full-blown programming languages to develop applications from the ground up.

Use a Software Developer/Consultant

I've heard mixed reports from planners taking this approach. Among the successful attempts to create customized software, there are two common themes. First, the planner understands the technology and can clearly communicate the project's goals to the developer. Second, the planning firm's staff worked actively with the consultant to design the software, increasing the odds it would meet their needs.

When it works, this approach can produce customized software that solves many IT problems for a planning practice. In *Your Biz* (formerly *CFP Biz*), I've profiled two planners who worked with Microsoft Access developers to create customized practice management programs. Greg Friedman, CFP, based in San Rafael, California, teamed up with Ken Golding to build the BAM software. Warren Mackensen, a CFP practitioner in Hampton, New Hampshire, helped develop the ProTracker System, which he now sells to other planners. Their successful efforts show that planners can get the software they want, although it requires a substantial commitment of both time and funds to develop and maintain a new program.

Form a Group to Hire a Developer/Consultant

In recent months I've learned of several efforts by planners to form software-development relationships with their peers. The concept is straightforward: Instead of one firm spending, say, \$150,000 to create a customized program, why not have five firms with similar needs each contribute \$30,000? Assuming the planners can

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work together smoothly—and there's no guarantee of that—the approach makes sense. You pool financial resources and the project can benefit from additional user input. The project also could crash if users can't agree on the software's features, so choosing the right partners is a critical first step. But I think these alliances have tremendous potential for getting planners the software they want at a cost that's easier to handle.

There is no single, inexpensive solution to planners' IT problems. But as other professionals with deep pockets—law firms, CPA practices and brokerage firms, for example—continue moving into the financial planning and wealth management business, competition for clients will increase. These firms will spend what they must to have smoothly functioning IT. Can you afford to lag behind?

Ed McCarthy, CFP, writes on technology and practice management topics for the Journal of Financial Planning and the Financial Planning Association's Your Biz Web site.



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