

Q&A on Technology Fundamentals

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Like many of the readers of the *Journal of Financial Planning*, I am first and foremost a financial planning practitioner. My goal with the use of technology is to improve services to clients, improve profitability to the firm, and improve my quality of life. Although there are always improvements to be gained, my firm has made tremendous strides and accomplishments in all three areas. Because of this, I have received many great questions from advisors looking to improve their practices and their lives through the effective use of technology. Following are some of the most frequently asked questions, and my answers.

Q: Where do I start?

A: You should start by doing two things: document the current state of your technology setup, and take time to develop a picture of what you are trying to accomplish and where you are trying to go. (For more on this, see my column, "A Technology Vision," in the [February 2002 Journal](#).) Then think about what is missing. What types of services do you want to provide your clients? Where are there inefficiencies in your office that technology can improve? What isn't working in your office, or what could be working better?

An example may be helpful. We looked at how much time and effort it was costing us to create quarterly investment reports for clients, and we knew we wanted to reduce our reporting functions in the future. It had become quite a production for our firm, with lots of reports, color graphs and more. We made the decision to fundamentally change the way we provided reports to clients. We set up an in-house Web server and made all of our reports such that they were accessible to clients over the Internet. We sent a client letter explaining that we would be putting reports up weekly (showing previous 12-month and since-inception performance only) so that they could have more frequent and ready access to reports instead of us mailing them (and we even added some new reports for additional information). We emphasized that this was in no way a replacement for periodic meetings and discussions about their financial affairs. Clients were very receptive, and we reduced our costs significantly while freeing up a tremendous amount of administrative capacity that could be used for other projects and client services.

Q: Can you recommend a software program that... (or what do you use to...)?

A: This is by far the most-often-asked question by advisors. The most important step in looking at software solutions is to determine with as much detail as possible what you are trying to accomplish, and how your office works. (For more on this, see my column, "Selecting and Implementing Software," in the [June 2002 Journal](#).)

There are no shortcuts! You should take the time to investigate what is available, and don't be swayed by features that look really great but that

would not benefit you. Although adding a new software program will probably require some changes in the way you do things, if it requires too many changes, it probably won't be accepted and implemented in your office to a sufficient degree. With that said, I should also say that change is necessary to make real improvements in your business.

Q: Where do I find information on what software tools are available that may be relevant to my business?

A: There are many great sources of information available, including

- Industry meetings such as the FPA's Success Forum, either by vendors providing exhibits or networking with peers
- Industry discussion groups (such as those on the www.fpanet.org or www.fponline.com Web sites)
- Industry journals, both from advertisements and articles written by other advisors
- The Internet
- Industry consultants—see the next question

Q: Should I use an information technology (computer) consultant?

A: In a word, yes! Unless you are in the small percentage of advisors who have a great interest and aptitude in the latest technological tools, a consultant can provide a tremendous payoff in terms of helping set up your office.

There are several types of consultants you should consider. The consultant can be a generalist, providing advice and setting up things such as networks, firewalls, security, and office e-mail. Another type of consultant would be familiar with the financial planning profession and be knowledgeable about our software and issues. Examples are Etelligent Consulting (www.etelligentconsulting.com) and Joel Bruckenstein and David Drucker (www.daviddrucker.com). There are also industry consultants who provide advice on a specific issue, such as Trumpet (www.trumpetinc.com), which advises on implementing paperless office and workflow technology. We use all three types of consultants—our generalist is on a monthly retainer/service agreement, and the other consultants are used on an hourly or project basis.

Q: How do I use technology to increase efficiency versus taking up valuable time?

A: It is a balancing act, but an investment in both technology tools (computer hardware and software) and training can yield a significant payoff. The important thing is to take the time to learn how to use the relevant tools, but not get sidetracked by features and functions that have little or no impact on your business. I recommend that you implement no more than one or two features of a software program at a time and use them for a while before implementing additional features. I hear regularly that advisors and their employees are too busy to take time for training—you will most likely never create efficiencies and get the most out of your technology “dollars invested” if you don't spend time on training. Remember: it may take a step backward to move three steps forward.

Q: How do I make the most of the software programs I purchased?

A: Take the necessary time to learn the features and functions of the programs. Many times people assume that a program they use is deficient in a certain area and begin looking to replace the software when, in fact, the program they already own will solve their problem but they don't know how to make it happen. When asking vendors how to do something with a particular program, ask them for the result you want rather than explaining

how you want to do something and then getting frustrated because the program doesn't work that way.

Q: Where do I find information on the capabilities of my existing software, or software I might consider adding to my business?

A: Start with the vendor. This sounds pretty obvious, but again, most people seem to avoid the vendor they purchased their software from. Vendors in our industry generally try to provide high quality technical support, but sometimes you have to be persistent and keep asking questions. Take advantage of training materials, whether Web-based or printed. It takes time, but the investment will almost always provide a significant payoff.

Q: Why don't my software programs seem to work "as advertised"?

A: Many times the marketing of software programs, although generally reliable, understates (or leaves out entirely) requirements necessary to perform as described. This can be avoided by asking questions of the vendor before purchasing the software. You should ask the vendor to explain what is required, in total, of your office systems to perform any of the advertised tasks. Ask if there are any particular programs you need to have, or specific hardware requirements. Many programs aren't overly difficult, but to be flexible and effective they require some training.

Q: How much should I spend on technology?

A: Probably more than you spend now. Although many firms spend a great deal on technology, many more firms don't spend enough. It is not unreasonable to spend as much as 10–15 percent of revenue on technology, but it is important that those dollars are spent wisely. Don't buy every new gadget and software program that hits the market. Do invest consistently in upgrading hardware when necessary, buy new software tools when and where appropriate, and purchase training on existing software programs.

Q: Isn't there a software program that "does it all" for a financial planning firm, specifically integrating financial planning and modeling, portfolio tracking and management, customer relationship management and data tracking, and office workflow?

A: Although this sounds like the "holy grail" for financial advisors, it has yet to become a reality. Some vendors are attempting to do this, but the concept has a way to go. There are, in my opinion, some other issues to consider: What if the program does some of these tasks well and the way you want them to, but other areas of the program aren't capable of doing what you need them to do for your practice? And do you really want all of the most important tools that run and control your business in the hands of one vendor?

Please feel free to send your comments or questions to me at greg@friedmanassociates.com.

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