

You are here: [FPA Net](#) > [FPA Journal](#) > [Past Issues & Articles](#) > [2005 Issues](#) > 2005 July Issue - Article 5 [Return to normal view](#)

TechTalk

Technology Strategy an Investment in Your Business

by Gregory H. Friedman, CFP®

This column is an update to one I wrote for the [February 2002](#) *Journal of Financial Planning* titled "Make a Plan." To this day, as I speak with colleagues around the country, the types of questions that come up the most have to do with what software is best for a particular function (such as financial planning or client relationship management) in a financial advisor's office, or whether hardware should be upgraded. The questions tend to be focused on one particular problem rather than looking at the overall technology "philosophy" of the firm.

One of the biggest challenges facing financial planning firms is the use and implementation of technology. How technology is used in the future will mean the difference between remaining competitive and thriving, and possibly facing extinction. One of the most costly mistakes I see (and have made myself!) is taking a piecemeal approach to these questions—in other words, evaluating software solutions on a "problem by problem" basis. For example, you may be unhappy with the match between the financial planning services you provide and the software you use to provide it—plans take too long to create, resulting in inefficiency and low profits.

How do you avoid costly mistakes such as the following?

- Buying software on a "trial and error" basis, never implemented (or under-used)
- Upgrading computers unnecessarily
- Buying more powerful (and expensive) computers than are necessary, or that are never used

How can you use technology to create efficiencies in your office, increase services to your clients, enhance client relationships, and increase profitability in your firm? This column will discuss how to create your technology strategy.

Step 1: Develop and Clarify Your Vision

It is critical to take a step back and create a vision of what you are trying to accomplish. Take time out of the office, with your staff, to consider and discuss the following:

- What types of services are you trying to provide your clients?
- Who are your clients and what types of services do they want and expect? Do they want everything on paper and never use computers, or do they want everything online?
- Do you want to provide Web-based performance reports for your clients?
- Do you want to provide Web-based access to client documents?
- Do you have a Web page that provides ongoing and updated information relevant to your clients?
- Will you provide comprehensive data management for your clients, including monitoring all of their financial and personal data such as investments, insurance policies, loans, family members, other advisors, significant events, activity, and more?

Also consider business and practice management issues:

- What types of problems are you trying to solve?
- Do you want to increase overall office efficiency?
- Do you want to provide greater client services with fewer employees?
- Do you want to increase the productivity of your employees?
- Do you want a "paperless" office?
- Do you need to limit access to certain types of client and office data?
- Is it important to be able to access your office and work from a remote location?
- Are you trying to increase profitability?

The first step before buying software or adding or upgrading hardware is to create the vision of what you want the firm to look like, taking into account the above considerations. Many times software is bought because of the "bells and whistles" instead of careful analysis of whether you can make it work the way you work. It is essential that you look at how you conduct your business, what types of services your clients desire, and what particular problems in your firm you are trying to solve.

Step 2: Identify What You Already Have

It is difficult to know all of the capabilities of the various computers and software that exist, but before you search for more technology, identify what you already have. You should make a detailed inventory of both the hardware you currently have, and the software and its capabilities.

Hardware (it is helpful to create a diagram for this). For each computer, go to Start/Programs/Accessories/System Tools/System Information and then File/Print (Windows 2000/XP) and this will print a detailed report on that particular computer. You should also list hardware items such as tape backup systems and network routers. If you use an IT consultant (and you should—see "Do You Need an IT Consultant?" *Journal of Financial Planning*, [March 2004](#)), then they can certainly do this step for you easily.

Software. For each of the major software systems currently in your office, identify the following:

- Primary functions, such as financial planning, portfolio management, client relationship management and office management, and e-mail.
- Current capabilities—contact the software vendor if you don't know. Many times advisors are frustrated about their current software without realizing that it will do many of the things they are looking for.
- Can the data from one system be imported, exported, or otherwise integrated with the other systems? In looking at your business, which systems would it be nice to integrate, and for which systems is this critical? For example, in my office it is essential that our portfolio management system and our client relationship management system are integrated, and our client relationship management system is integrated with our document management system.

At this point you have a vision of what you are trying to accomplish and create, as well as a detailed analysis of what you currently have. This should define the gap between what you want and what you have. Now you can take the next step.

Step 3: Evaluate Available Options for Hardware and Software

The next step is to evaluate the available options for implementing your technology vision.

Hardware considerations:

- What hardware do you currently have in place? Does it need to be upgraded or replaced?
- What types of hardware will be necessary?
- Will you need a centralized server with workstations?
- How much memory will you need?
- What type of backup hardware is appropriate?
- Will you need a scanner for document imaging?
- Will you need a color laser printer, or will an inkjet printer work for your situation?
- Is a network printer appropriate?
- Would you and your employees be more productive with larger monitors? (Tip: I have installed dual monitors on all workstations and this has increased employee productivity and satisfaction tremendously.)
- What security systems do you need?

Software considerations:

- What software tools will be the best fit for implementing your vision? There are many good programs available, and there is no single "perfect" program that does everything you want.
- Will your current software work with additional training?
- Which of your current programs are you particularly unhappy with? Is it the program or is it a training issue?
- What programs are available with the features and functions you want?
- What is the learning curve for new software—is it relatively easy to use? (Any program that does many things will, by definition, involve a learning curve.)
- What does the program cost—not just the annual price paid to the vendor, but also office training costs?
- What does it save in terms of improved productivity for your office, increased services to your clients, and increased profits to the firm?

Where do you find information on what software tools are available? One of the best sources of this information is at the larger industry conferences, including the Financial Planning Association's annual convention. Other excellent sources of information include the Virtual Office Tools newsletter (www.virtualofficetools.net), written by financial advisors who are experts in technology issues, and online at Financial Planning Interactive (www.fponline.com), including the discussion threads where you can see what others in similar situations are saying about the software currently on the market.

There is no one answer to these questions and there are many options available. The answers will depend on many factors, including the structure of your firm, your future growth plans, and your vision.

Step 4: Develop an Implementation Plan

After you have developed and refined your vision for what you want to accomplish, assessed your current technology resources, and evaluated the available options for hardware and software tools, the next step is to create a comprehensive technology plan.

Your plan should include the following considerations:

- Determine a budget. How much can you afford to spend? Should you borrow or pay cash?
- What is the timeframe for implementing various components of your strategy? In what order? I have several suggestions:
 1. Be patient and allow time to implement one thing at a time; as I tell my financial planning clients, it took them 50+ years to get here, so they don't have to make all of their financial decisions and implement everything in the next 30 days.
 2. Implement parts of your plan with the largest payoff first; for example, if the biggest problems you face revolve around CRM (client relationship management) and office management, then implement your new CRM solution first.
 3. Be flexible—even the best-laid plans need to change.
- What other constraints do you have? Do you have enough space to add certain types of equipment such as large servers, scanners, and printers? Is high-speed Internet access available?
- What specific hardware has to be acquired? Which company or brands should you buy? Will you buy extended warranties and support? (I recommend this!)
- What software programs will you acquire? Which ones will you discard?
- What types of software integration will be possible? Will the various programs share data?
- How will software training be scheduled? How much time will be allocated for staff training? What training does the vendor provide? Note: lack of training is one of the biggest mistakes made in the purchase and use of software. Tremendous benefits can be gained by investing in additional training, including increased office productivity and possibly the avoidance of buying additional software.
- How should you schedule making hardware additions and rolling out the new software? Generally, it is a good idea to make a few changes and then work with your systems to make sure there aren't any problems. Then implement additional changes and test again for problems. This way it is a little easier to troubleshoot problems that may occur.

- Should you use consultants? Although you may have a great interest in technology and follow current developments closely, there is a tremendous body of information that is difficult to keep up with. The services of a consultant can be invaluable in helping develop your plan and implement changes in hardware and software systems.

Conclusion

The effective use of technology is one of the most important (and overwhelming) factors facing a financial planning firm. Decisions on how much to spend and where that spending is directed can be the difference between remaining competitive and profitable or watching profit margins erode. Think of following the steps and considering the issues raised in this column as an *investment* in your business.

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