

Virtual Office News

The Only Practice Management/Technology Newsletter for Financial Advisors

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Reprint

Guest Columnist: David Edstrom, Chief Marketing Officer, BridgePortfolio

[Editor's Note: For this month's guest column, I asked David Edstrom to walk our readers through the actual steps taken when an advisor signs up for BridgePortfolio's valuable, but sometimes misunderstood, back office services].



BridgePortfolio – A Partner's First 365 Days

At BridgePortfolio, we specialize in helping investment advisors “cure your back-office blues,” by offering a complete turn-key outsourcing solution to their back-office needs. With BridgePortfolio, there is no longer a need to own and operate portfolio management and trading software or maintain staff in those capacities. Our mission is to help advisors streamline and simplify their back office with the goal of redeploying resources (cash, employee time, management energy) away from cost-center operational tasks towards profit-center, growth tasks such as marketing, client relationship building, and security selection.

Our services are offered bundled or a la cart, and include Account Opening and Proposal Tools, Portfolio Accounting and Performance Reporting, Fee Billing, Dynamic Portfolio Model Trading, Administrative Support, and Manager Research and Selection – all delivered via the advisor's website.

Point Of Pain

At some point, all RIAs encounter points of pain — tough and difficult times, inflection points, points of change or transition — that cause advisors to seek solutions or cures for their pain. Their pain may be a result of things just not working properly, such as software that is undependable or difficult to use. Or maybe they can't find good employees, or they're expending too much effort running their back offices.

That's when BridgePortfolio steps in. But advisors don't simply find us from a Google search, or by looking through the Yellow Pages. Most often, they are

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referred to us by someone whose opinions they trust, be it a custodian, a software vendor or another RIA.

Conversely, it may be that things are, in fact, going well and the advisor seeks ways to leverage his skills with the expertise of others in order to grow without focusing any more effort or time than is necessary on non-revenue producing tasks.

Needs Analysis - Diagnosing The Pain

Our professionals take a consultative approach to the selling process. We don't simply pass out a pricing sheet and ask "which one would you like?" We truly attempt to understand what an advisor needs, what problems they are trying to solve, and then present solutions to those problems. We start with a thorough questionnaire and conduct several interviews asking detailed questions about the advisor's practice. We then run the advisor through a Web demo of our reporting, trading and new account tools. After the demo, we deliver a pricing proposal tailored to his/her needs. If all looks good, we sign an agreement and get started.

Solutions Implementation – Curing the Pain

The first step is the Implementation Call, during which we walk through all phases of the implementation process (see New Partner Implementation Guide for details):

Phase 100	Communications
Phase 200	Custodial Interface Checklist
Phase 300	Private Label Website Checklist
Phase 400	Model Portfolio Submission
Phase 500	Historical Performance Conversion
Phase 600	Cost Basis Conversion
Phase 700	Fee Billing Set Up
Phase 800	Follow up

Phase #100—Communications

The Advisor ("Partner"). The Partner is assigned an Implementation Specialist who will guide and manage the first few months of the new relationship. Contact information for all members of our Sales, Operations and Tech teams is also provided.

Phase #200 – Custodial Interface

Our goal is to prevent any possible delays concerning Custodial Systems in the earliest part of the New Partner Implementation process. To do so, we lay out a series of steps to ensure the process moves as swiftly and smoothly as possible. Once the data feeds for all custodians have been turned on and *BridgePortfolio* ("BP") is receiving all of the new client's data, a start date will be determined. Depending on the custodian, it may range from 15 to 60 business days before we start receiving daily transaction data. The usual practice is to make that start date the last day of the current month. For example, if the data feeds for all custodians are established by 4/15, BP will set up initial positions for all accounts on 4/30. Thus the first reporting cycle will be on 5/31, the end of the first full calendar month for which we are downloading data.

Phase #300 – Private Label Website

The next phase of the Implementation Call addresses the Private Label Website. BP Technology will mimic the Partner's website including layout, color scheme and logo for connection to his BP website. We host his BP site on our servers, and it's through here the Partner and his clients will access the BP tools. The Partner pro-

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vides any documents that are to be available on the website such as Account Agreement, Privacy Statement or ADV. If our New Account Tool has been requested, the Partner will provide their series of suitability questions, which will be formulated into a custom proposal or IPS. If needed, we'll provide examples for the Partner to review. After the initial call, the CTO will work directly with the Partner to complete the website. A "test" site is usually ready for partner's review within two weeks. After several iterations, the site should be live within 30 days.

Phase #400 – Model Portfolio Submission

In just a matter of minutes, a Partner using our portfolio model trading tool can make additions, deletions and modifications to all clients in a given portfolio strategy or strategies. The Partner logs into his website, selects the Portfolio Maintenance link and is directed to a listing of his/her portfolio strategies or models. It is here that the models can be modified, resulting in changes to all accounts in each respective strategy. It's that simple -- the Partner doesn't have to futz around with anything. He just plugs his best ideas into the website and *BridgePortfolio* makes all the changes behind the scenes.

But before the Partner can start to manage his models, he'll need to submit a portfolio template, including the names of the Model Portfolios, a listing of the securities in each, percentage weightings, and the comparative indices.

Phase #500 – Historical Performance Conversion

Not surprisingly, due to the complexity or lack of clean data, not all Partners desire to move historical performance from their legacy accounting system (the most time-consuming and costly phase of the process). For those who choose to convert, the BP Implementation Team will work with the partner and any operations personnel to identify the best extracts or reports that can be run on the current system in order to gather all of the data points needed for conversion into BP's system. Depending on the system from which system data are extracted, the number of accounts and the number of data points, the conversion could take on average about 90 to 180 days.

Phase #600 – Cost Basis Conversion

Regardless of whether they're converting historical performance, most Partners do wish to convert client cost basis. Using a BP template, the Partner will provide BP Operations with an unrealized gain and loss report containing the Cost Basis for all applicable accounts. This is usually completed before the first reporting period.

Phase #700 – Partner's Fee Billing

Billing is obviously very important; the smoother the process, the quicker the Partner can collect fees. Our billing application runs at the end of each calendar quarter. Whether the Partner bills in advance, arrears, per account, per household, debits from all accounts pro-rata or just one account, has per account minimums — whatever — our billing application can handle it. We prepare the client fee statements, manager-level spreadsheets listing fees on all clients, and files to easily upload to the custodian for account debiting. After the partners have been paid, we send an invoice for our services. We do not deduct our fees from client accounts; we bill the partner directly.

Phase #800 - Follow-up

BP will be in contact with the new Advisor on a weekly basis during Implementation

Process in order to insure timely follow-up and completion of the process.

Beyond Implementation — Ongoing Service and Support

In our desire to be a true back-office partner, not a technology vendor, we pride ourselves on providing exceptional service and support to our partners. There is no technical support line to call into, no client # to punch into the telephone keyboard, or relay via voice command. Rather, live human beings pick up the phones and recognize you by first name and usually by voice, just as if they were part of your firm. If the person you are seeking is not available, then anyone can help, whether it's another operations team member, myself or the CEO – we all answer the phones.

And our servicing is not simply limited to the standard set of day-to-day services. Every day we respond to a host of custom requests and special projects for partners. Quite often we are asked to consult with our Partners on best practice issues, business decisions, and to offer opinions on matters that sometimes aren't even related to our core competencies. And that is okay; we welcome that interaction with our Partners. As a trusted Partner, we hope and even encourage Partners to come to us with issues, as we offer the promise to do what we can to help. And if we can't solve their problems, we'll do our best to find someone who can. That's simply what you do in a healthy business relationship. After all, our Partners' success is our success.

Partner Reviews

Sometime after the first six months, when implementation is complete, members of the BP Executive Management Team will contact the new Partner to discuss how things are going. We'll run through a list of questions, get the Partner's feedback on what's going right and what's not, and discuss suggested improvements. From this feedback we look to provide better solutions and support for that Partner and all Partners, current and future. We'll conduct these reviews every six to 12 months.

Focus On What You Do Best

If we have done our job correctly, by the end of the first year, our Partners' practices should be running much more efficiently, and they should be well on their way to achieving their goals and focusing on what they do best. It should be noted that after converting to *BridgePortfolio*, our Partners have consistently, on average, increased assets year over year as follows: 2005 +43.7%, 2006 +43.2% and Q1 2007 +15.5%. This in itself is a compelling reason to consider *BridgePortfolio* as your back-office outsourcing partner.