# How Account Aggregation Can Lead You to Heaven or Trap You in Hell

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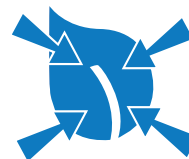
# BLUELEAF'S ALL-IN-ONE CLIENT ENGAGEMENT SOFTWARE

**... BRINGS YOUR** REPORTING & DATA **WORLDS TOGETHER IN ONE, POWERFUL, INTEGRATED PACKAGE**

✓ ON-DEMAND PAPERLESS REPORTING

✓ BEAUTIFUL CLIENT PORTAL

✓ INTEGRATED ACCOUNT AGGREGATION

✓ ELIMINATES MANUAL DATA ENTRY

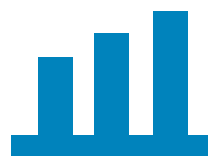**VIDEO DEMO**   **30 DAY FREE TRIAL**

**ACCOUNT AGGREGATION**

**CLIENT PORTAL**

**PERFORMANCE REPORTING**

**DOCUMENT SHARING**

**SIMPLE BILLING**

**CLIENT ANALYTICS**

We've heard a lot about how great account aggregation technology is. We hear it at conferences, in magazine articles and from other advisors. But if it's so great why isn't everyone using it? Why aren't you using it? Or if you're using it, why is it so much harder to work with than advertised? Have you thought about using it yourself, but didn't because it sounded too expensive, complicated, time intensive, risky, and unnecessary? In some cases you may be right.

If there are so many challenges, why do advisors bother with account aggregation? For the same reason that anyone takes action: the pros outweigh the cons. These advisors have found a way to minimize or eliminate a lot of the account aggregation challenges. Let's look at how advisors are overcoming the challenges. And why it's so worth it.

## Why share these insider secrets?

So why is Blueleaf, an aggregation provider talking about the challenges of account aggregation? Well, we know more about it than just about anyone. We not only connect directly with custodians using our own technology, but we are also users of aggregation technology from ByAllAccounts and Yodlee. So we've seen and suffered through it all.

In the past 3 years we've spent about $1.5 million implementing and operating account aggregation technology. We did it because frankly we don't think ANYONE should suffer through what we have. So we're here to tell you about the good, bad and the ugly of account aggregation in the hopes that you'll benefit and learn from our experience.

To start, we want to talk about some of the big challenges and ways to eliminate, manage or minimize them. Let's get the big one out of the way first: cost.

## Cost

This can and should be a concern. With some vendors charging as much as $60 per account per year, the cost of account aggregation can

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add up quickly. While Blueleaf doesn't price this way, let's use our average customer's data to think this through. The average client on Blueleaf has over 6 held-away accounts. The average advisor has over 100 clients. So let's do the math. 6x100 = 600x$60 = YIKES, $36,000 to cover just one advisor's clients. While we could show you all kinds of ROI arguments that prove beyond any doubt that the investment would payoff, that kind of investment isn't likely to be in the budget. So, except for the highest of High Net Worth businesses, these numbers simply aren't realistic.

Some advisors will cherry pick clients for this kind of 'extravagant' service, but of course that approach introduces problems of its own. Treating some clients one way and others a different way often leads to more complex operations. How do we decide which clients to offer it to? How do we make certain that other clients don't hear about the services we only want to offer to a few? It's a small minefield. Additionally, clients who may not be the largest today are often the future of our business and the very ones we want to grow, a great use of account aggregation.

## Dealing with Cost

### Price and Packaging

The fix here is partly obvious. Find a reasonably priced service. There are a number of services that charge by the client with no limit on the number of accounts per client (Blueleaf does this). There are also other pricing models that can keep costs out of the insane zone. Another way to get more value is by choosing one of the account aggregation systems that are built into a larger system. For example if you choose to use a system like Blueleaf you get account aggregation at no additional charge along side a client portal, performance reporting and document sharing. Packaging is a great way to avoid over-paying.

### Growing the Business - Advising on held-away assets

The less obvious part of dealing with the cost is to make certain that no matter what the price, you get value from your account aggregation service. That starts by making certain that you are not just giving away advice on held-away accounts without something of value in return.

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**Billing on Held-Away Assets**

Many advisors don't bill on held-away assets because they don't know how. It may seem too complicated, or they simply don't have the time to figure out the logistical/operational steps they need to take. Worse, many advisors don't think clients will see the value and pay. With almost ½ of RIAs charging for this kind of service, the evidence suggests otherwise.

If you want to bill on held-away assets, think about the advice you provide for what it is: an additional service offering. Like all your other services you should be compensated, with most advisors charging between 25-40 basis points for this service. Keep in mind that advising on held-away accounts typically involves research, recommendations and often rebalancing instructions.

By advising on heldaway accounts you create additional value for your clients while creating an additional revenue stream for your firm. One additional thing that can make billing on held-away assets much simpler is to make certain the system has a billing system that can deal with held-away accounts, like Blueleaf.

## Complexity

The complexity that can come with account aggregation is yet another challenge. For some aggregation systems, set up and operations take a lot of effort. In fact, it can take weeks just to evaluate and purchase a new system. A challenging purchase cycle with a slow contract negotiation, slow or difficult set up, or other "one-time" problems can spell trouble. Insider tip: While there are one-time processes, if the vendor you're dealing with hasn't spent the energy to make this early part of the process simple and painless or if they seem unaware of the difficulties or are unhelpful, you can bet system operations will be no easier. Think about running for the hills.

This is particularly a concern for firms where the advisor is a sole proprietor or there is a small staff. In such a case, taking time to set up technology means taking time away from working with existing clients or prospecting for new ones.  However, it's also a problem with larger firms, as the costs of set up and operations can be substantial despite being hidden amongst existing staff.  These challenges are made worse if the aggregation

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system is difficult to use or requires training. That means training for many: you, staff and each client.

Complexity also comes in the form of limited integrations or manual data movement. If the system doesn't integrate with your existing CRM or financial planning system, that will mean having to re-key data into various systems or having to move data manually. This defeats one of the key benefits of account aggregation: eliminating manual entry.

The truth is no system will have perfect coverage, integrating with every possible vendor. But some are better than others and some make it vastly simpler to create new integrations. Today there are many options, like Blueleaf, that offer integrations into the most popular systems that advisors use such as Redtail and MoneyGuidePro. But few systems make it easy to create new integrations. Simple integration is the key to your future flexibility, so look for it.

Another point to keep in mind is that for most retail accounts, passwords and security questions are set to expire regularly, typically quarterly or annually. Once the credentials expire it will stop the flow of data into the system. This can create a huge operational headache for the advisor, especially if it's a system that asks the advisor to solve the problem. This is a huge headache since the advisor typically can't do anything other than pass the message along to the client. With many held-away accounts this can turn into a daily task for an advisor, creating work rather than relieving it. Again, something to avoid.

Finally, while clients are almost always more tech savvy than advisors think, who wants to deal with calls and complaints from frustrated clients who can't get their accounts set up? With some of the more challenging to use systems this will happen. This is true in particular when the aggregation system is separate from the other systems the client needs to deal with, like a portal. It forces you and the client to work across systems in order to link or manage accounts or to fix issues when they arise.

## Dealing with Complexity

### Simplicity
The fix for complexity starts with a focus on simplicity. Not just in the usability of the product, but in every aspect of dealing with the product and

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the vendor. You want simplicity in technology, support and in the business relationship. Look for a solution that is easy to trial and simple to set up an account. Focus on finding a system that is intuitive enough that it doesn't require training for you or for clients.

### Embedded in other systems

Try to find a system that is embedded as part of either your current or future client interaction system or portal. That way you'll eliminate the multiple system issues for clients. Aggregation systems that are built into strong client portals, like Blueleaf, not only eliminate multiple systems for data flow but also allow for a consistent and therefore simpler user experience that will reduce your clients' learning curve and eliminate many support calls.

### Simple Business

In all of this remember to look for a vendor that is simple to do business with. Are there complicated contracts? Are there long-term obligations? Does the vendor have big minimums? Buying aggregation services should be as simple as you would want the service to be. If you can't buy the service in the same day you're ready, it should cause you to stop and think. If the vendor can't make it easy to buy, how could they possibly make it easy to use.

### Integrations – Plentiful and Easy

Look for systems with good current partners, where it's very easy to add new integrations. This flexibility will help you avoid "software lock in" and allow you to evolve the technology in your business as it grows and changes. Systems like Blueleaf that are well connected to the most popular systems such as Redtail and MoneyGuidePro, ensure you can avoid manually re-keying data into multiple systems.

Some vendors brag about the number of integrations they have. Beware; the number of integration partners alone may be misleading. Some vendors say they are integrated when what they mean is that you can manually move data from one system to another. Instead, ask if the integrations are automatic and then ask how long it takes to add a new integration. If it takes a month or two it will be hard to add the integrations you want because it's expensive for the vendors. In systems like Blueleaf, where the average time is about 3 days, it's fast and inexpensive to add integrations making it easy for a new partner to say yes.

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In reviewing a system, look for simplicity in adding and maintaining accounts on the system. Also look for a system that directly informs clients about the need to update passwords or answer security questions. This direct client interaction reduces the frustration clients feel when their accounts aren't working and they could have easily fixed them. It also eliminates the workload on the advisor being the communication bottleneck in a process they can't help with. When a system does this well, clients are really appreciative. At Blueleaf we hear this kind of feedback all the time. When long-time customer Jason Wenk of Retirement Wealth Advisors introduced it to his clients, "They loved it. This is the first system where I regularly get compliments, phone calls and emails that make me blush." Truly great account aggregation technology will excite your clients, not confuse or frustrate them.

The reality is that if you provide simple to use account aggregation and use it to power a great client portal you are making your clients lives easier. They are sick of remembering lists of websites, passwords, user names and security questions required to check on their various retirement and investment accounts. Yet they want to know where they stand. By aggregating all of their accounts in a combined aggregation/portal system, they'll have one place to go where they can login and see everything. Younger clients are especially used to all of their data being a mouse click away. They expect their advisors to provide them with a seamless 360-degree view of all their assets, no matter where they are held or who manages them.

Forward thinking advisors, like Jason Wenk, use account aggregation as a selling tool to set them apart from the competition. Set yourself apart from the crowd (Read our "How To" guide, here) by offering your client's a service that makes their lives easier and your relationships stickier. You can even invite them onto the aggregation service before they're a client to give them real feel for the client experience and help you build trust before they need to decide to transfer assets.

## Risks

### Compliance / Custody Risks

Most account aggregation technologies require clients to set up accounts by entering their user names and passwords into the system, also known as credentials. Some advisors worry that entering clients credentials

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into the system means that they have custody of those assets, and will be subject to the annual surprise examination requirement of the "custody rule", SEC Rule 206(4)-2. This is a valid concern that advisors must address by choosing an account aggregation system that allows clients to easily set up their own accounts, so that you never see or have access to their credentials.

Finally, most advisors are held to standards of conduct that require in varying degrees that the recommendations they make must be in their clients' best interests or be suitable. There is a lot of debate in the industry about how good an advisor's recommendations can be if they don't see and take into account their clients' entire financial picture, including held-away accounts. If an advisor is audited or if there is a complaint, proving you've acted in a client's best interest can require a lot of effort and a big paper trail of historical account data from held-away accounts. Account aggregation is the only solution that is able grow as with your business grows without requiring an army of people to maintain.

While some account aggregation systems require that an advisor set up accounts by entering in their clients' credentials, other systems like Blueleaf are designed to allow clients to quickly and easily set up their own accounts. By having clients set up their own accounts the advisor never takes custody of the credentials, and can avoid the annual surprise examination required under the "Custody Rule".

When evaluating account aggregation technology, be sure that the account set up process is fast and intuitive so it's easy for clients to use. Also be sure to choose a system that lets clients know directly when a password has expired and needs to be changed, like Blueleaf does. When it's simple to use and communicating directly with clients, an aggregation system will keep advisor well clear of handling user credentials and inadvertently stumbling into "constructive custody" territory.

**Error Risk**

Account aggregation has come a long way since its inception. However, it may never be perfect. If you think about how aggregation technology works, it gathers data from disparate sources such as various custodians and financial institutions and feeds the data into one system. The challenge in dealing with different sources is a lack of consistency and uniformity in how the data is presented and what it is called. For example a "buy" at Schwab may be called a "purchase" at Fidelity. If you aren't working with a system that

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understands that these two terms mean the same thing, then you will have errors in your system that take time and energy to resolve.

Additionally, errors happen sometimes based on subtle changes at custodian sites that can leave holdings with no descriptions or missing tickers. Sometimes even prices and quantities can be missing. Not surprisingly, some systems do a better job of clean up than others. However, despite vendor claims, this can be very difficult to figure out up front. Speaking to others who've used the system can give you some sense but the direct experience of a trial is really the only way to know how the system will perform with the institutions your clients need.

Another related issue to consider is that some target systems are less picky about data completeness than others. For instance, most traditional performance reporting systems need very clean data to function. Others, like Blueleaf, can clean up and fill in data gaps. So your need to worry about perfect data may vary substantially depending on how you'll use it and which other systems need to use the data.

Well there you have it, the insider's secrets to good account aggregation. We've gone through the biggest challenges advisors face, key ways to minimize or avoid those challenges, and the red flags that should make you run for the hills. **For your convenience, we've summarized these points into a checklist below!** Feel free to print this checklist and use it whenever evaluating your current or future account aggregator. Ask the right questions, know what's possible, and get ready to reap the benefits of account aggregation.

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# ☑ **Insider Advice:** How To Evaluate Account Aggregation Systems

This checklist will help you minimize (or fully eliminate) the biggest account aggregation challenges.

## ❶  Manage and minimize: **Cost**

- ☐ Find a system that charges by the client with no limit on the number of accounts per client.
- ☐ Choose an account aggregation system that's built into a larger system, not stand alone.
- ☐ Bill on held-away assets. Do not give away advice on held-away accounts without something of value in return.
- ☐ Make certain the system has a billing service that can deal with held-away accounts.

## ❷  Manage and minimize: **Complexity**

*Look for...*
- ☐ easy to trial and simple to set up an account
- ☐ a vendor that is simple to do business with
- ☐ intuitive enough that it doesn't require training for you or for clients
- ☐ embedded as part of either your current or future client interaction system or portal
- ☐ good current partners, where it's very easy to add new integrations. Avoids "software lock in" and allows you to evolve the technology in your business as it grows and changes.
- ☐ simplicity in adding and maintaining accounts on the system
- ☐ directly informs clients about the need to update passwords or answer security questions
- ☐ allows you to invite prospects onto the aggregation service before they're a client so you can use it as a selling tool

## ❸  Manage and minimize: **Risks**

*You want a system where...*
- ☐ clients can easily set up their own accounts, so that you never see or have access to their credentials
- ☐ account set up process is fast and intuitive so it's easy for clients to use
- ☐ performance reporting can clean up and fill in the inevitable data gaps

## ⚑ RED FLAGS:  Run for the hills...

- ☐ if there's a high price per client. Account aggregators should not make you feel like you must "cherry pick" clients to offer it to.
- ☐ if the vendor has a challenging purchase cycle with a slow contract negotiation, slow or difficult set up, or other "one-time" problems.
- ☐ if they have complicated contracts, long-term obligations, or big minimums. If you can't buy the service in the same day you're ready, stop and think.
- ☐ if the vendor hasn't made the beginning process simple and painless, because you can bet system operations will be no easier.
- ☐ if the system is difficult to use or requires training.
- ☐ if the system doesn't integrate with your existing CRM or financial planning system. Account aggregation should eliminate manual entry.
- ☐ if they say it takes 2-3 months to add a new integration to their system.
- ☐ if the system relies on you to update clients' credentials when they expire. Because this happens regularly over the year, it leads to a huge operational headache.
- ☐ if the aggregation system is separate from the other systems the client needs to deal with, like a portal.

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