

# 3 THINGS PRIVATE BANKS ARE DOING TO BECOME ALPHA ADVISORS

## If You Aren't the Alpha Advisor, Your Business May be at Risk

That's Forbes' warning to UHNW advisors, to which it adds: "Unless you want to focus on smaller investors – those who tend to be a lot more fee-sensitive and who don't have enough assets to hire multiple advisors – your strategy must include a way to position yourself as the leader of the group of advisors your clients are likely to hire."

Enter the Alpha Advisor - the one advisor that is trusted by a family to know the most about their affairs and investments, and who is first to be called to advise on all important matters, transactions and life events.

However, Alpha Advisors are in relatively short supply. A study released by [State Street](#) Global Advisors stated that 55% of UHNW respondents revealed that their primary advisor was unaware of the decisions and performance of their other advisors, creating risk from overlapping exposures and goal mismatches.

*Hence this guidance to potential Alphas, courtesy of Forbes: "Providing the key service of reporting on ALL assets should position you above the client's other advisors."*

## For Private Client Advisors, a Total Wealth View is Not About "Wallet Share"

In the retail and mass affluent segments, obtaining a total view of both advised and what are sometimes called held-away assets is motivated by the desire to transfer client assets to "under advisement" accounts where additional fees can be earned.

This desire to "capture wallet share" is rarely uttered in the Private Client world where the emphasis is on helping position the advisor to become the go-to counsel on important matters, transactions and life events. With a large portion of a private clients' wealth in "non-transferable" assets, the priority is building trust and influence. A total wealth view is critical to the advisors' ability to provide insights, add value and ultimately position the firms' solutions as options to a clients' complex objectives. The term Alpha Advisor derives from the likelihood that this status will be granted to only one of a clients' advisors.

## Consolidated Reporting is Not New – Just Done Poorly

Ironically, the gathering of a client's held-away assets is already being undertaken by many advisors on an adhoc basis. Advisors routinely ask their clients to email statements and

other information to them where it is manually collated by the advisor's team in spreadsheets. The challenges of this approach are many, including inconvenient for the Client, inefficient for the Advisor and dangerous for the Firm.

In this model the Client must do work every month to gather and forward their statements to the Advisor via email. By exchanging information in this way both the Client and the Firm expose themselves to possible breaches of client information. This possibility may also create a barrier for clients to share their data for this purpose.

The manual processes used by Advisor teams to extract and consolidate information for reporting is not only time-consuming and prone to errors, it also exposes the possibility that advice derived from incomplete or incorrect information could create undesired liability. Most importantly, the process distracts from the core objective of providing insights and high-value client interactions – not collecting data.

In light of the above, what strategies are leading Private Banks pursuing?

## **#1 Develop Scalable and Safe Global Data Sharing Strategies**

Private Banks are looking beyond the basic aggregation technologies of the past (credential sharing and screen scraping) to enterprise-wide strategies to share data globally. Recent privacy regulations such as GDPR in Europe and emerging regulations here in the US prescribe how firms must provide clients control over how their data is used. Emailed PDF's and uncontrolled spreadsheets are not compatible with these emerging requirements. Key elements of a scalable strategy include:

- Efficient and compliant consent technologies that authorize sharing of data
- Support for multi-jurisdictional data residency regulations
- Satisfaction of data subject privacy rights regarding their information
- Privacy-tech that ensures security incidents do not become privacy breaches

## **#2 Deliver Actionable Information Across 100% of Investments**

Private Client portfolios are complex and contain a wide variety of instrument types of which up to 70% are illiquid, such as hedge funds, private equity, real estate, business interests and personal use assets. Many of these investments are not available in standard feeds, but rather delivered as PDF's or other non-structured means, including valuation statements, capital calls, distribution notices and other manager communications.

A total wealth reporting strategy needs to "Leave No Asset Behind" and cater for the nuances of all investments in a way that standardizes the data for use in a wide variety of reporting, performance and risk analytics applications.

Key elements of an analysis-ready data strategy include:

- Ability to efficiently process non-structured content such as PDF's and spreadsheets
- Support for all asset classes, currencies and jurisdictions
- Standardization of transaction codes, securities, classification data and security types
- Reconciliation down to cost-basis and delivery of performance flows
- Standardization of advised and held-away data to support consolidated reporting

### **#3 Empower the Advisor and Client Experience**

The product of a successful program will be a streamlined advisor and client experience in which client inconvenience is minimized and confidence that their information is safely managed is assured. The Advisor will eliminate manual processes, have client information at their fingertips and be able to focus on more high-value client interactions. The Firm will have institutionalized the data sharing process and created a systemized strategy to leverage client information to enhance the firm's relationship with the client. The strategy will put consolidated information to work:

- Integration of information into firm reporting, performance and risk systems
- Automation of a client's consolidated wealth statement across all of their assets
- Surfacing of information in the Firm's client portal platforms
- Delivery of information back to client in a form suitable for use in their systems

### **Information Sharing is the Centerpiece of an Alpha Advisor Strategy**

Most clients will have only one Alpha Advisor whom they'll select based on a trusted relationship and the ability of the Advisor to efficiently add value. The latter will be driven by technologies that will expose an increasing array of digital wealth innovations to the relationship. The fuel for those innovations, and the insights they will provide, will be the Client's "total wealth view" safely and efficiently streamlined to both Client and Firm systems.

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