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# RIAs find it easy to justify spending more on technology in 2017

Robo platforms are lifting client expectations

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By **Jeff Benjamin**  

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Technology is a necessity in the modern financial advice industry, and not staying ahead of it is essentially the same as ignoring it altogether.

“There is no way we will become robo advisers, but we have to create a digital experience because the amount of automation that will hit the financial advice businesses in the next five years is mind boggling,” said Gregory Gardner, president of The Gardner Group.

In line with projections across the financial advice industry, Mr. Gardner estimates that he could spend as much as \$100,000 on technology next year. And he doesn't see the trend toward technology spending slowing down anytime soon.

“Clients expect more and want to pay less for it,” he said, in a reference toward the pressure being felt by the growth of low-cost digital advice platforms.

“Our belief is that robos will never be a threat to our business, but what they bring to the table is a threat,” he added. “Because of the way the robos do business, clients view technology as a



requirement and that is affecting everything I do.”

For a lot of RIAs that have been in the business for a few decades, technology spending was once almost an afterthought or just another budget line item.

Those days are **gone forever**, according to Paul Tinnirello, chief operating officer at Bleakley Financial Group.

“Technology evolves so quickly, it's incumbent on us to stay ahead of it,” he said. “We have a relatively thin layer of management, but the team leverages technology to effectively manage responsibilities, which means we're able to do more with less people.”

But doing more with technology doesn't come cheap.

Mr. Tinnirello said his firm, which has more than \$3 billion of assets under management, will spend about \$500,000 on technology next year.

Bleakley Financial, which was starting from scratch two years ago after it spun off from **Northwestern Mutual**, has even hired a full-time director of digital technology and administration.

Mr. Tinnirello estimates that RIA firms are spending the equivalent of between 3% and 5% of revenue on technology.

According to a recent **survey of RIAs** from **Scotttrade Advisor Services**, spending on technology has moved to the top of the priority list. Asked how they would spend an extra dollar investing in their business, 27% of the more than 300 RIA respondents said they

would allocate the money to technology.

Tech spending topped business growth, which was the top choice of 24% of respondents.

A year ago, tech spending was the top choice of 25% of RIAs, while spending on business growth was the top choice of 38% of respondents.

Broken down by RIA firm size, 17% of firms with between \$10 million and \$100 million under advisement ranked tech spending the highest, 34% of firms with between \$100 million and \$500 million ranked it highest, and 29% of firms with more than \$500 million ranked tech spending as a top priority.

“Efficiency, efficiency, efficiency. That should translate into a more profitable business if you are a good manager,” said Kashif Ahmed, president of American Private Wealth.

He plans to budget about \$5,000 for technology next year.

“Efficiency has always been the theme in my office, and tech will play an even bigger role going forward,” he added. “This includes firming up workflows so that all processes are formalized, and deployed, and increased use of screen sharing to conduct virtual meetings. Clients are more than willing to do those, as much as they enjoy an in-person meeting. This allows them to bring efficiency into their lives as well.”

Asked what benefits they expect to gain from technology, RIAs responding to the Scottrade survey selected improving client service, saving time, and saving money as the top reasons.

However, the top concerns of RIAs **when it comes to technology**, according to the survey, are staying current, cost, and integration of technology.

“My perspective is that we're ahead of the curve already, but we're still looking at expanding,” said Tim Holsworth, president of AHP Financial Services, which manages \$180 million.

He plans to spend \$5,000 on technology next year.

According to the Scottrade survey, the most popular software among RIAs relates to financial planning, which is used by 85% of respondents, followed by customer relationship management software at 82%.



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