Industry

Will LPL's tech integrations complete delayed platform transition?

By **Tobias Salinger**
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Nearly four years after LPL first unveiled its ClientWorks as the eventual replacement of the BranchNet workstation, the firm's core operating platform may finally be closing in on the finish line.

The race itself is what presents the main problem for the No. 1 independent broker-dealer and other large financial firms.

LPL faces increasing competition from rival IBDs and RIA platform providers, who are also ramping up their tech. The firm is making a bet to the tune of tens of millions of dollars that its 16,000 advisors will ultimately find its investments of significant time and resources into ClientWorks worthwhile.

LPL's tech stack grew a couple of notches last week when it successfully integrated risk-scoring software Riskalyze into ClientWorks after months of work. SS&C Technologies' Black Diamond performance reporting tool also joined Riskalyze in LPL's discounted vendor program for advisors, Vendor Affinity.

LPL's tech to-do list

CEO Dan Arnold says the firm is investing in its core operating platform ClientWorks "in three phases, which we are pursuing in parallel."

ClientWorks: Improving the experience

Version 2.0: Making it more efficient

Version 3.0: To "reimagine" advisors' primary workflow

Source: Arnold prepared remarks, Q2 2018 earnings call

Ensuring data security and setting up automated tracking and alerting based on clients' risk scores and portfolios made up the main tasks of the integration, according to Riskalyze CEO Aaron Klein, who counts some 2,500 LPL advisors as clients. Change is always hard, he notes.

"LPL has had this multiyear vision of delivering a better platform for advisors. So far we are hearing a lot of positive things from advisors about the massive upgrade that ClientWorks is compared to BranchNet," Klein says. "ClientWorks has been a journey, but it's been a journey with a really good destination."

The firm prolonged that journey in March, when it announced it was postponing the retirement of BranchNet until later this year and spending $15 million on upgrades to ClientWorks. LPL cited "recent assessments," including feedback from advisors who still use BranchNet, as the reason for the delay.

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Several advisors expressed gratitude for pushing back the transition at that time, although momentum behind the new platform is growing. LPL advisor Kashif Ahmed, the founder of the Boston-area practice American Private Wealth, tweeted supportively about ClientWorks from LPL's annual conference.

"If u are still complaining abt #ClientWorks (or still using BN) sit in on a breakout or visit the Tech Sq at #LPLFocus," Ahmed wrote. "CW is infinitely superior to #BranchNet @lpl has done a great job on this."

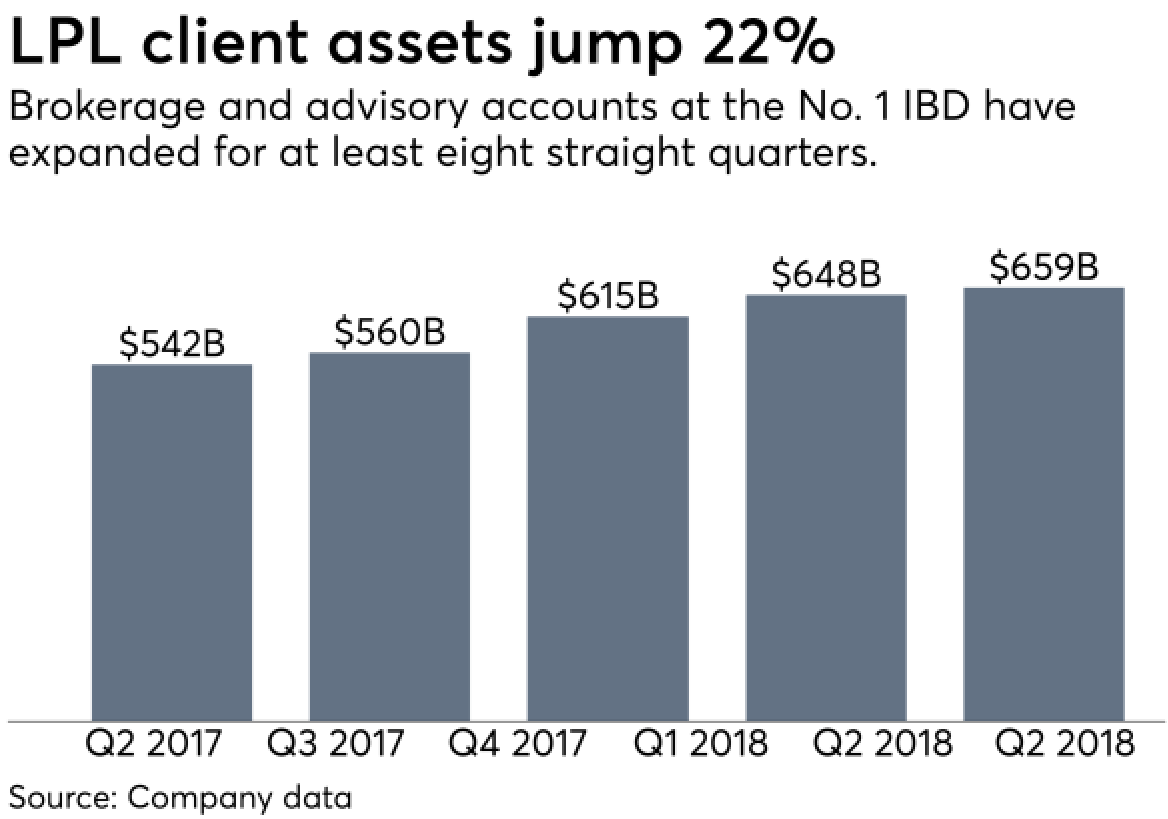
Few, if any, firms can match LPL's overall tech expenditures, which could amount to as much as $115 million in 2018. However, large rivals like Ameriprise, Cetera Financial Group, Advisor Group, Ladenburg Thalmann and Kestra Financial have also announced upgrades to their client portals. Northwestern Mutual has absorbed digital planning startup LearnVest after buying it for a reported $250 million in 2015.

Doug Fritz of F2 Strategy praises Riskalyze for doing a "good job of building integrations really, really early," he says. Yet LPL and Cetera sometimes still fall short because they've "played Hungry Hungry Hippos" instead of focusing their tech on a particular approach or type of advisor, according to Fritz.

For example, Fritz points to major platform provider Dynasty Financial Partners as homing in on the specific tech needs of wirehouse breakaway RIAs. Wealth management executives often struggle with the notion that they may turn off 30% of the market, but well-integrated tech often requires it, he says.

"You can't be everything to everybody with technology," says Fritz. "The more they focus on the type of firm they want to be, the more automated and effective they can be."

It's not clear when LPL now plans to shutter BranchNet. LPL Chief Investment Officer Burt White and other executives were preparing for the firm's Focus conference in Boston and not available to discuss the Riskalyze integration and the status of ClientWorks, a spokesman for the firm said.



Black Diamond followed three other performance reporting tools from Morningstar Office, Orion and Albridge on LPL's discounted marketplace of third-party vendors. LPL also added a sales and marketing company named ReminderMedia to the group of roughly 75 firms in Vendor Affinity.

LPL has integrated Riskalyze and "a select number" of the Vendor Affinity partner firms into ClientWorks, according to a press release.

"This enhancement with Riskalyze is a prime example of the new approach we are taking to our technology offering," White said in a statement. "We want advisors to have more choice in the tools and resources they can use to support the unique needs of their business."

In the firm's second-quarter earnings call, LPL CEO Dan Arnold said the firm will keep evolving ClientWorks over time. The three phases, which he says LPL is working on simultaneously, will ultimately "reimagine primary workflows from an advisor's point of view," under Version 3.0 of the platform.

"We believe all of these efforts — combined with our increased levels of technology investment — can drive greater growth, an improved service experience, and increased efficiency in advisor practices," Arnold said.

Prior to the integration, LPL advisors using Riskalyze would download spreadsheets of their clients' holdings and update them manually. Now their clients' accounts get updated and appear automatically at login, with alerts any time the portfolios are trending away from their risk numbers.

Klein says he's believes companies have a particular DNA, noting that some financial firms try to develop their own technology.

"It's always a challenge for large financial services institutions to balance the core needs of their business with the innovation of technology," he says.

"They, generally speaking, make bad technology companies," Klein adds. "But I also believe that technology services companies like us wouldn't be very good broker-dealers."

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Tobias Salinger

Tobias Salinger is an associate editor for Financial Planning.

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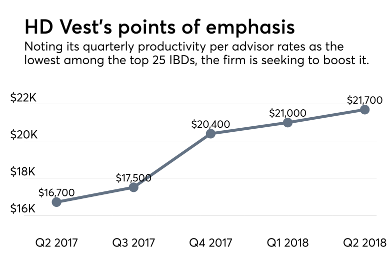

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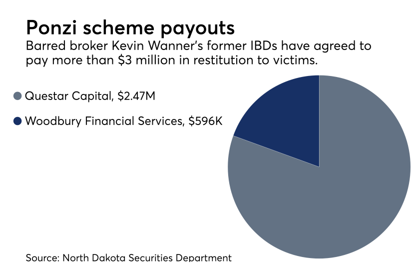

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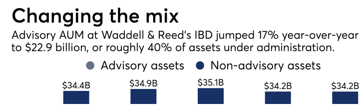

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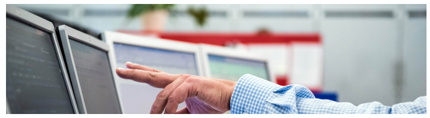

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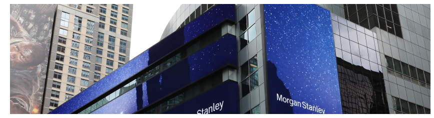

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