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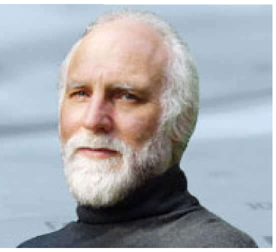

T3: A Theme and Three Splashes

Synopsis: ***The advisor profession's leading fintech conference saw the unveiling of some profession-altering innovations.***

Takeaways: ***Cybersecurity is poised to become a key element in advisor tech stacks. New portfolio design software is redefining 'risk' and creating more durable portfolios. We may now have the definitive client portal, and two leading custodians are joining forces.***

I'm not whining or anything, but the annual T3 Tech conference in Tampa, FL is by far the hardest meeting for a writer to cover. There are so many moving parts, so many innovations, such a big diverse exhibit hall full of surprises—and in some ways I think what happens there might be more important to the advisor community than what you're exposed to at any other meeting of the year.

This year, T3 producer Joel Bruckenstein wanted to create a theme that reflects his area of deepest concern about the advisor and fintech space. But the theme was constantly upstaged by new developments and splashy sessions that ultimately stole the show.

Here's a rundown of some of the T3 highlights, with some on-site speculation about what they mean for advisory firms and their clients.

The Theme: Taking Cyber Seriously

Through his strategic scheduling of various sessions, Bruckenstein made sure that it was hard to turn around without encountering at least a passing mention of the need for more and better cyber protection.

In the keynote presentation on the annual T3/Inside Information Software Survey, which was unveiled at the conference, Bruckenstein noted (with visible misgivings) that only 24% of advisory firms are using profession-specific cyber services. And he added that this gloomy statistic may be an exaggerated overcount, since most firms are using their IT solution as their cyber solution, when ideally the cyber consultant should be overseeing (and correcting) the cyber protocols the IT team has put in place. To take a random example from the outside world, it's kind of like the banking industry evaluating their own safety and soundness.

The most straightforward session addressing all things cyber came from Brian Edelman, of FCI (*https://fcicyber.com/*)—which plays that role of cyber overseer. Edelman posed 13 questions to the advisors in the audience, all of them yes/no, and he said that if anybody answered 'no' to any of the 13, then they were potentially cyber deficient, subject to malicious attacks and problematic in their next SEC audit.

The questions included:

1) *Do you know for sure that your firm has an active cyber policy?* (Yes? Then the SEC will ask to see the evidence. If the examiner sees nothing more than a manual and an IT relationship, and doesn't see ongoing cyber training and assessment activity, the firm could be subject to fines.)

2) *Does your firm have cyber insurance?* (Edelman said that this is a new emerging area of outside cyber supervision. Insurance firms are now asking if your devices are encrypted and if your firm is following an active cyber policy. You can, of course, attest that, sure, you're doing all the right things. But if you falsely attest, and there is an incident or breach, the insurance company will feel free not to pay on the claim. Can you blame it?)

3) *If you were to have an incident/breach, would you know who to call?*

4) *If there was an incident/breach at your office, would everyone at your firm know to call the same person or number?* (Every firm should have one security officer who is the point person for all things cyber, including incidents. And everybody on staff should know who that is.)

5) *Does your firm have a list of all approved vendors and their cyber contacts?* (This is a new SEC requirement, the idea being you want to recognize when bad actors are calling in claiming to be from the vendor, asking for passwords or other access. If you don't have that list, expect a fine.)

6) *If you lose a laptop or device, can your team remotely lock or wipe it?* (If you say yes, understand that in any inspection process, the SEC will not only ask the question, but ask how—and perhaps a demonstration.)

7) *Would any new laptop purchased or assigned to a staff person be blocked from accessing all systems/data until the firm approves it?* (Can a staff person go to Best Buy, purchase a cheap laptop and access your tech stack and client data? The regulators now say that every computer used by the staff for business purposes must be a known and approved device.)

8) *On your new laptop, are you prevented from installing any company fintech applications without permission?*

9) *When you transfer a file with private data, are you automatically prompted to allow/block the transfers?*

10) *Does every system you log into require multi-factor authentication?*

11) *Does your multi-factor know where you are?* (Edelman said that all your applications should have location services turned on. And he said that it's a best practice to let your bank(s) know where you are, so if a suspicious transaction takes place somewhere else, it/they can instantly flag it.)

12) *Is your IP address always the same no matter where you are?* (If so, you're on a secure network. If not, well…)

13) *Does your cyber team have visibility in the office? Is there a dashboard where they can see all devices and events?*

It's possible that not every advisory firm can answer all 13 questions in the affirmative—making Bruckenstein's point.

Beyond that, several sessions focused on cyber from different angles. In one of the early presentations, a panel consisting of Bruckenstein, Edelman and John O'Connell of The Oasis Group discussed how cyber has become a major focus for regulators.

Bruckenstein said that most advisory firms have traditionally relied on their custodians or broker-dealers to provide an effective cyber shield, so they have never seen the need to engage a cyber expert. He and Edelman told the audience that every firm, effective yesterday, is going to need to create a cyber culture—including internal staff training on what links not to click on. And they recommended that all firms surround themselves with a zero-trust network, meaning protections inside the firewall (described as a cyber 'moat,') where each individual device is hardened against attacks if they somehow get past the moat.

O'Connell noted that many firms are not informed about the proper procedures for responding to an 'incident'—an attack or successful hack. "The first instinct is to contact your clients," he said. "But you should contact your compliance team and your attorney before your clients are notified."

Edelman added that cyber laws are different from most of the regulations and legal obligations that we're familiar with.

"With cyber, you're guilty until proven innocent," he said. "When you have an incident, the SEC is going to come in and look at whether you had all the proper safeguards in place. If the SEC determines that you didn't," he added, "then YOU are their first suspect, and even if the money went to other parties, the authorities can still determine that you were the problem."

There was one other cyber-related presentation that I was uncertain whether I should cover—or not.

The presentation was by Mark Hurley, who some of you may remember as the co-author and face of a number of widely-promoted white papers a decade and a half ago, which prophesied that the advisor industry would experience a wave of consolidation. The conclusion was, in this writer's opinion, flawed, and I said so publicly, which led to some widely-publicized back-and-forth, and… suffice it to say that I agreed with the core premise that there would be an acceleration of consolidation among advisory firms (we're seeing the today), but I disagreed that this would lead to a small number of firms dominating the space and ultimately as the only survivors.

History aside, Hurley presented a new, very different white paper in a T3 keynote, which he co-authored with a former military officer who specialized in cyberwarfare. The presentation (and white paper) was another prophesy about the future, this time that advisory firms will soon be adding a new service: helping clients protect their financial lives from cyber attacks.

If advisory firms decide to offer this protection, then one of their options is to use Hurley's new firm as the outsource provider: a company called Digital Privacy & Protection, LLC (*https://www.dpripro.com/*).

The logic here is that advisors already protect client assets via various portfolio management measures (controlling costs, providing diversification, cautioning against impulsive reactions to market movements). And, by the dictates of business protection and state and federal

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regulation, advisory firms are generally much more familiar than clients with the technical nuances of cyber protection. Hurley said that it makes business sense for advisory firms to offer cyber protection services to clients, since it costs advisors and clients a lot less to prevent these attacks than it would to fix things after a breach.

My contentious history with Hurley might be coloring my judgment, but I can't help worrying that advisors who offer this service will be taking on additional liability. The accepted wisdom in the cyber world is that getting hacked is not an 'if' proposition; it's a 'when.' If the cyber bad actors can breach the cyber moat put up by the U.S. Department of Defense, then there's a decent chance that, with a little determination, they can get past whatever defenses any other entity, including Hurley's, are likely to put up. The white paper (perhaps unwisely) actually quotes this 'if/when' bit of wisdom.

So, bottom line, if there's a hack, is it possible that the client would turn on the advisor who offered this protection? Clients will be asked to sign an agreement, upfront, saying that the DP&P is responsible for providing these services, but the advisory firm might be taking on additional liability risk as the introducing and recommending party.

Beyond that, there's a trust issue here. Anybody the advisory firm hires to provide outsourced cyber protection will gain access to exactly the things that a bad actor would want. Advisors who work with DP&P would have to give it their full and complete trust, and have confidence that the firm would never compromise client data, that nobody in its offices would be tempted to sell access on the dark web.

If advisors decide to offer cybersecurity protection as a service to their clients, will that raise their exposure to client litigation?

Objectively, Hurley is making an interesting argument. If cyber protection does eventually become a client service—offered either in-house or as an outsource option—then this fintech area is eventually going to attract a lot more than 24% of the advisor population. It will become a core piece of the tech stack.

Perhaps the most intrusive and controversial provision in the (repeatedly mentioned) tighter cyber standards is the SEC's new requirement that advisory firms must vet all of their vendors' cyber precautions—because they, too, are handling sensitive private information.

But how can the SEC expect an advisory firm to supervise the cybersecurity protocols of 10, 15 or 20 outside software vendors? The conference featured an announcement of a relatively new solution to this problem, developed by a company called Buckler.

Buckler, which is affiliated with FCI, is now offering membership in open VRM, a service that is collecting and updating detailed cyber protocol information from virtually every vendor in the fintech ecosystem. These reports are being made available, for free, to advisors who need the SEC's required due diligence in their files. (Interested readers can access the service here: *https://openvrm.com/*). And, in fact, Buckler later received this year's T3 Emerging Technology Award.

<u>Splash One</u>: Introducing a New Software Category

Despite all the talk about cyber, there were a number of events and innovations at T3 which totally upstaged the carefully planned theme of the conference. One of them was advent of portfolio design software.

After three or four presentations and more than a few strolls around the exhibit hall, it became clear that the 2023 T3 attendees were witnessing the birth of a new fintech category. The conference featured several new (and new-ish) solutions which facilitate an advisor's ability to build increasingly sophisticated, individually-customized portfolios and map them to client goals.

In retrospect, we can see that this is a culmination of a big slow trend in the industry: a shift from advisors using model portfolios to giving each client increasingly complicated personalized ones, using increasingly sophisticated methodologies. The new solutions that were presented at T3 make it much easier to implement direct indexing—that is, building portfolios with a subset of the stocks in a particular index that are designed to minimize tracking error.

This feeds another trend, curiously not mentioned much at T3: direct indexing makes it much easier to integrate ESG preferences into client portfolios by simply leaving out whatever types of companies or industries that the client wants to avoid, and then optimizing the remaining holdings to produce roughly the same risk/return expectation as that the full index.

By raising the number of moving parts from five or six ETFs to 150-200 individual securities, direct indexing also gives the advisor a lot more opportunity to provide personalized tax-loss harvesting (tax alpha) and (potentially) some alpha benefit from opportunistic rebalancing. This allows the profession, finally, to fully leverage the increasingly sophisticated loss harvesting and rebalancing engines that have been evolving and improving over the past decade.

In two of the new solutions, the software will provide sophisticated economic modeling, in an effort to create more robust and resilient portfolio designs—potentially putting investment alpha back on the table for advisory firms.

Finally, the portfolios will be customized to each individual client circumstance. This, as we'll see, might include bucketing—breaking down the total return portfolio into individual components, each assigned to meet individual future goals.

Until T3, the only two direct indexing solutions I was aware of were Orion Custom Indexing (*https://orion.com/custom-indexing/*)—which is paired with Orion's harvesting/rebalancing solution, and was recently upgraded with a 'Story Paths' workflow engine—and what used to be called AffirmativESG, now called VADIS (*https://www.firstaffirmative.com/*), which is primarily used to create bespoke ESG portfolios for clients.

In any other year, absent the quite remarkable innovations in this new fintech category, the presentation by Morningstar about its own new direct indexing portfolio design capabilities (*https://mp.morningstar.com/en-us/direct-indexing*) might have stolen the show. The features, introduced last November but only now attracting advisor attention, facilitate tax alpha and ESG investing. Morningstar's TRX software will look for loss harvesting opportunities daily. Andrew Scherer, who heads up the new direct indexing development, told the audience that a 23-year back test of an index replication portfolio coupled with tax-loss harvesting produced a 28% higher return over a plain vanilla index model.

Many advisors will use Smartleaf to manage model portfolios, but it clearly belongs in the portfolio design category for its ability to blend various client preferences into a direct indexing portfolio.

So what DID steal the show? You can pick from three candidates. The first, which seemed to me to make the biggest splash at the conference, was something called nebo (*https://www.nebo-gmo.com/*, and yes, the no caps is not a typo), which was launched last September.

Nebo is a portfolio design engine created by GMO—Jeremy Grantham's firm for those of you in the back of the room. In a presentation by research analyst/nebo product manager Martin Tarlie, we were shown a slide that illustrated financial planning software as a box on one side of the portfolio design toolkit, and the portfolio management software as a box on the other side. Nebo was positioned in the middle—and that graphic may be the best description I saw of the new category, a missing ingredient at the heart of the tech stack.

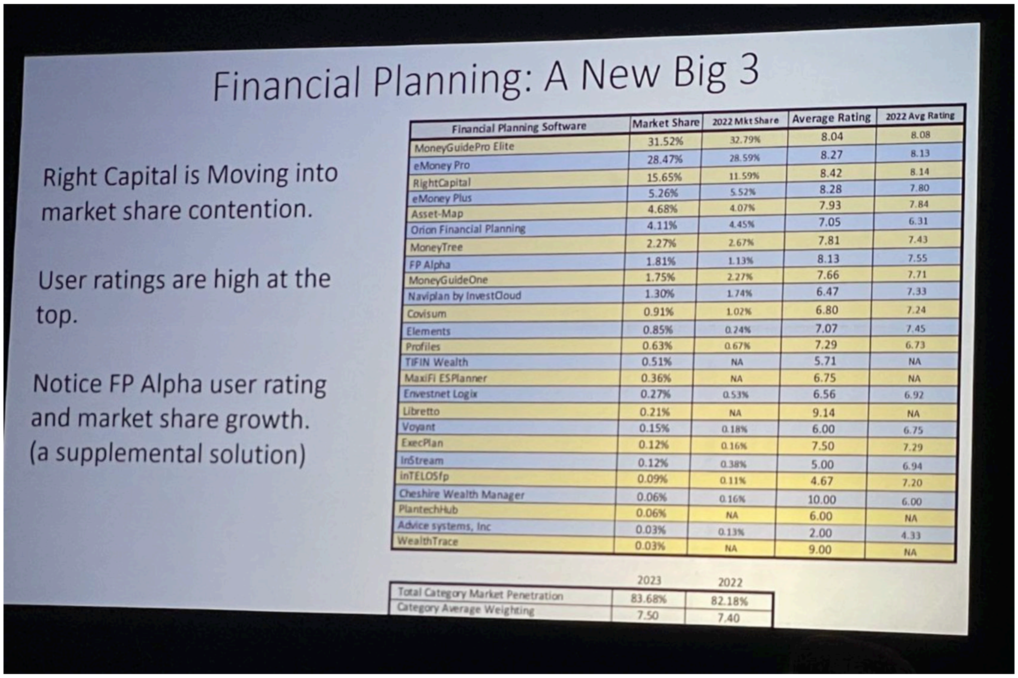
Tarlie said that financial planners generally understand that risk does not equal volatility, but most software products make that assumption in their analytics. Nebo offers a different definition; Tarlie said that for clients, risk is the chance of not having sufficient funds when they're needed. Mitigating that more complicated risk is, well, more complicated, because clients are complicated and the markets are chaotic. Academic finance and modern portfolio theory don't address that problem.

Nebo works with planning software by setting one or more targets that define a client's future needs, in present dollars, and then defines shortfall risk as the core challenge to be solved. A client's financial plan (the list of needs and their future cost) is input into nebo, and nebo will generate one or more custom portfolios that can be recommended to the client. The program uses GMO's constantly updated evaluation of market conditions to adjust each portfolio to minimize that more encompassing definition of risk.

But… Don't planning programs use Monte Carlo calculations to determine the long-term chances of clients being able to retire comfortably and meet other goals? One of the more interesting innovations in Tarlie's talk was that planning software's Monte Carlo calculations don't incorporate mean-reversion of expected returns, which (as most advisors know) leads to overestimates of the projected highest and lowest future investment outcomes. (Thirty years of above-average returns, or 30 years of below-average returns, are both perfectly plausible to the traditional Monte Carlo calculation engine, and those unrealistic scenarios are reflected in the retirement sufficiency odds that planning programs deliver.) Nebo's Monte Carlo adjusts for mean reversion, which basically cuts off some of the unrealistic fat tails on either end of the forecast future spectrum.

And, as mentioned earlier, nebo constantly revisits the portfolio's sufficiency based on market conditions and the remaining years toward each of the goals. Tarlie mentioned in passing that the traditional way portfolios are adjusted is through the glide paths that are built into target date funds, which, next to nebo, look somewhat mechanical and arbitrary.

Of course, these recommended portfolios that nebo generates can take many forms, from model mixes of ETFs to index replication and anything else along



the spectrum of complexity; Tarlie noted that the software doesn't require or incorporate GMO's investment philosophy or products.

Nebo does not include a tax optimization/rebalancing engine, but it integrates with Orion's Eclipse trade rebalancer, and GMO is in the process of integrating it with Black Diamond and iRebal. (Tamarac is listed as 'coming soon.') Planning software integrations currently include the Big Three: MoneyGuidePro, eMoney and RightCapital.

Perhaps the most interesting thing about having a new program colonize unexplored territory in the fintech landscape is that normally these invisible holes are approached tentatively, by companies that are still figuring out their niche, and therefore market themselves as something else that will also, incidentally, do this new thing. Nebo appeared in our midst in a fully-fleshed form, colonizing exactly the missing patch of ground.

I'm going to include Smartleaf (*https://www.smartleaf.com/*) in this new category. Even though the company doesn't lead with its portfolio design functionality, that may be one of its strongest features.

I had known about Smartleaf before founder Jerry Michael's presentation on the second day of the T3 conference, but his speech turned a few heads and constituted another 'splash' at the conference. Smartleaf is the tax-loss-harvesting/rebalancing program in the AdvisorEngine all-in-one platform, and most of Michael's presentation was about sophisticated, almost turn-key tax optimization of client portfolios. He pointedly said that rebalancing should not be a quarterly or annual activity; the program you use should be looking at all client portfolios daily to see which have moved beyond your set tolerances, and which client assets have 'achieved' losses that make it attractive to harvest them.

He demonstrated how a single staff person can do all of this with a quick daily check of the software, set individualized tax budgets for each client—and along the way redefined 'rebalancing' as 'balancing.' Rebalancing is rigidly bringing all portfolios back to their original target allocation, while balancing is evaluating tax alpha opportunities which may lead to temporary tracking error. (In other words, the advisor has to 'balance' between optimal tax management and zeroing out tracking error.)

Almost in passing, Michael noted that Smartleaf will also record client preferences—ESG screens and not selling highly-appreciated legacy assets—when advisors use Smartleaf to create direct indexing portfolios. The software knows what the client doesn't want to sell when making tax alpha recommendations. There are preset ESG screens that can be modeled before making trades. For example, Smartleaf knows what a tobacco screen is, but Michael showed how an advisor can see the tracking error if he or she, hypothetically, were to apply a traditional tobacco screen. If the software tracking error is too high, the advisor could modify the screen by re-including tobacco distributors (retail outlets and grocery stores, for example), so that the portfolio only eliminates tobacco producers. Smartleaf will readjust the proposed direct indexing portfolio to mimic the expected return/volatility of the index with the smaller number of exclusions. Suddenly, the tracking error is diminished to near zero.

These capabilities, including the ability to model tracking errors when creating multiple hypothetical direct index portfolios using a variety of exceptions and screens, are charting the same new ground that is being colonized by nebo, and I doubt many advisory firms were aware of them before Michael's presentation.

Many advisors will use Smartleaf to manage model portfolios, but it clearly belongs in the portfolio design category for its ability to blend various client preferences into a direct indexing portfolio, with built-in values/ESG screens and the ability to set risk parameters.

Smartleaf doesn't bill itself as a portfolio creation engine, but it has all the necessary functionality and features.

Finally, let me introduce a company you've probably never heard of, which achieved some T3 buzz in this new portfolio creation category. It's called Libretto (*https://libretto.io/*).

I ran into Libretto in the exhibit hall, drawn to the booth because there was a crowd around it, and overheard company founder Jeff Coyle telling advisors that the software was born in his family office platform before he decided to migrate its portfolio design technology over to the financial planning space. (Coyle later confirmed this, and more, when we had lunch together.)

The program has a financial planning component which provides the outlines for what Coyle has termed a client's "financial structure." The simplest description is that Libretto puts a present value on the future asset requirements of each of a client's goals, and assigns each goal a priority based on its relative importance, basically rank ordering the things that a client wants to achieve. (This is an oversimplification; the program also addresses insurance, banking and tax issues as part of the "structure.")

The portfolio design component kicks in once the program knows the present value of those future goal-based expenditures, which may be one-time or ongoing. The program assigns asset mixes to each goal; goals where failure would be catastrophic (basic living expenses in retirement) are mapped to more conservative portfolios, and more adventurous asset mixes are applied to goals lower on the ranking list or further on the horizon. A 30-year-old client might find her basic retirement living expenses portfolio in a higher-risk-asset mix than a 65-year-old.

Each portfolio, as mentioned above, is designed not to achieve maximum returns, but to match (or move safely toward) the present value of the future goal—and adjusts as that present value shifts, as the client approaches the date the goal needs to be funded, and as market volatility force-adjusts the portfolio value. Once again, the controlling logic behind portfolio design is resiliency, not maximum return, and resiliency can be defined differently depending on the nature of the goal and the time horizon to reach it.

The software also optimizes asset location, which is something I didn't see in nebo or Smartleaf, and it adopts a version of nebo's definition of portfolio risk as the danger that a portfolio won't meet the funding needs of the client when those funds will be applied to the goals. I walked out of T3 not realizing there was a gap in the fintech world, and left knowing that this formerly uncolonized space is now, suddenly, unexpectedly, highly-competitive. In the future, we may all be defining 'risk' more functionally, and using Monte Carlo that is more accurate about possible futures.

<u>Splash Two</u>: The Definitive Client Portal

One of the questions most

attendees were wondering about going into T3 was: who is finally going to create the definitive client portal? You know the options: the financial planning-oriented portal (eMoney), the CRM portal (many options) and the asset management software portal (just about everybody).

All of these are essentially single topic client digital interfaces, rather than windows into the client's entire financial picture, and they miss what might be the most important feature: client interaction and collaboration.

Coming to T3, the best candidates for that definitive portal were Advyzon (*https://www.advyzon.com/main/index.html*) (constantly-updated client information pulled from the CRM, asset management and document management components, but not a shared workspace), and Knudge (*https://knudge.com/*), which creates a shared workspace for advisors and clients, but doesn't include all the other client data.

What is needed is a shared workspace that displays, in a user-friendly way, all the key client information, and also provides an interactive space where advisors and clients can communicate, ask questions, update goals and objectives, compare them with the current financial plan and financial situation and decide on how to proceed on client goals from a coaching standpoint.

Is that too much to ask?

Apparently it is not. An eye-opening presentation by Reed Colley, founder of Summit Wealth (*https://summitwealth.io/*) demonstrated pretty much exactly what we were looking for.

Colley doesn't market Summit's WealthOS as a client portal, per se; the system is currently positioned as an 'abundance system,' to help clients achieve their goals, apparently through coaching and tracking progress toward desired outcomes. But use your imagination here. Colley is the founder of Black Diamond (sold to Advent), so he's familiar with the way client information can be formatted onto a single interface. The platform includes the client's purpose statement(s), pulls in the financial planning, CRM and portfolio data through integrations, giving the client constantly updated information on progress toward his/her goals. This may be the digital experience that T3 presenters have been predicting for all these years.

WealthOS also includes collaboration features that allow clients and advisors to communicate back and forth, update and refine goals and track progress—which gives both parties an advanced (very clean) integration of the various different types of portals combined with advisor/client interactivity tools.

The definitive client portal is unlikely to be an adjunct to a particular type of software; it should be a standalone program that interacts with all the other parts of the advisor's tech stack to consolidate (and simplify) client information—a constantly-updated display that follows the same trend as the one-page financial plan (see next article).

The independent portal solution that sits in the middle of the tech stack then adds an interactive overlay that turns the portal into a digital experience, a shared workspace where clients and advisors can track progress and improvement. Colley's reputation in the planning and fintech world makes him ideally positioned to stand in the middle of the various vendors and highlight the best of each.

The digital portal solutions have been fragmented, with nobody offering a comprehensive solution that provides a real client digital experience. Until now.

<u>Splash Three</u>: Custodial Consolidation

The most earth-shaking announcement at T3 was one custodian purchasing another. No, we're not talking about Schwab and TD Ameritrade, but about two of the leading alternatives: Altruist (*https://altruist.com/*), which is the most tech-forward of the alternative custodians (it's actually a close race with TradePMR) purchased Shareholders Service Group (*https://www.ssginstitutional.com/*), which is the most serviceoriented of the alternative custodians.

I caught up with Jason Wenk, intending to ask him why Altruist had decided to become self-clearing (recent news), but about half an hour after the announcement, our paths crossed and my proposed conversation had become more interesting. About self-clearing, Wenk said that having Apex handle the custody and clearing had limited the kinds of accounts that Altruist could service (Roth 401(k) s is an example), which had been a turnoff to some advisors who knocked on his door. But he also said that the back office (Apex) takes such a large percentage of the total revenue, that it became a no-brainer to hire roughly 175 people to trade, clear and custody a more comprehensive set of accounts—and he had much more control over the business operations.

But what about the purchase? The marriage of opposites could potentially turn out to be an interesting competitive benefit for both firms. SSG famously responds immediately to advisor calls and requests, even having its senior executives instinctively pick up the phone if they sense that it has rung more than four times.

Company president Dan Skiles has been been described as more of a tech *partner* than a tech *consultant* by advisors who clear through SSG, and he has negotiated discounted fintech arrangements for the community.

That said, the company's tech relies on Pershing's NetX360+ custodial system, which is not the

most advanced platform software in the marketplace. Eventually, SSG-affiliated advisors will migrate over to Altruist's more modern custodial interface—where Altruist has what might be called a 'last mover advantage'—no legacy coding that impedes advanced features and modernization.

Altruist, which mostly serves its affiliated advisors via an online chat feature—which Wenk says is much more efficient for both parties than the phone—will get SSG's service teams and, as it transitions to self-clearing. As the self-clearing gets up and running, the merger will give Altruist the ability to accommodate less-common account types by having them handled through SSG.

The other thing to notice is that SSG and Altruist have two of the highest ratings in the custodial section of the annual Software Survey, higher than any of the Big Three (Schwab, Pershing and Fidelity); higher even than TD Ameritrade, whose Veo software has been considered the gold standard in the custodial space.

The bottom line is that both platforms instantly become more attractive to TD Ameritrade-affiliated advisors who are looking for a new home, and Altruist's portfolio management software (which can actually be used with any custodian) stands to gain a few thousand new users. It's hard to see a downside to the marriage--even if nobody saw it coming.

Another presentation wasn't a splash, but it represented another consolidation of sorts: the custodial consolidation of multiple technologies under one roof isn't confined to Altruist.

Readers with a long memory

might remember back when TD Ameritrade purchased iRebal, and how adding that additional rebalancing feature (for free!) made the Veo platform uniquely more expansive and useful to its affiliated advisors. I was thinking about this as SEI's Jeff Benfield and Heather Hovis took the stage to talk about how SEI (*https://www.seic.com/*) has expanded the concept of a custodial platform's tech offering. The short version is that what SEI offers is light years beyond the single feature that TD Ameritrade added back in the day.

Light years? The theme of the presentation was leveraging your partner relationships—specifically, in this case, by finding out what your custodian can (and is willing to) do for your and your business. In SEI's case, that includes 80% of the functionality covered on the Michael Kitces chart through the single custodial platform, all accessible through a single sign-on, all protected by a cybersecurity overlay provided by SEI itself.

The presentation offered a brief overview of SEI's proprietary client discovery tools, various proposal tools, digital account opening, digital model management, rebalancing and tax-loss harvesting, billing and a CRM—a tech package the firm calls AdviceT. (The presenters curiously didn't mention a variety of business management tools, assessments and worksheets that SEI provides on its website, perhaps because the company makes them available to the advisor community at large.)

None of the other all-in-one platforms are built around custodial technology, which makes SEI unique in the marketplace.

There is a buzz in the advisor world about whether Schwab will continue to support a free version of iRebal. But the SEI platform—and, for that matter, the portfolio management and reporting capabilities on the Altruist platform—make that concern seem like a miser worrying about whether a coin might drop off their table when there are large-denomination bills over there at the next one. ■

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