



## Outsourced Investment Management: **How SMarTY Lowers Cost as Barrier to Entry**



As the financial landscape grows increasingly complex, the demands on financial advisors are expanding concurrently. Advisors are now expected to navigate a vast array of investment options, maintain regulatory compliance, and manage diverse business operations, while also cultivating client relationships and delivering expert advice.

Outsourced investment management has emerged as a powerful solution to these challenges, allowing advisors to tap into the expertise of investment professionals, leaving them with more time for strategic business activities and nurturing client relationships.

However, the potential costs associated with outsourcing can become a concern for advisors, who need to either absorb those fees or pass them on to clients, and to clients themselves, who may understandably balk at increases to their fee structure.

Here, we explore the significant benefits of outsourced investment management and introduce an answer to the challenge of how to handle outsourcing costs.

## Exploring the Outsourced Investment Management Landscape

There's no question that outsourced investment management offers key advantages to advisors, including:

- Allowing them to utilize the skills and resources of seasoned investment professionals dedicated to managing portfolios effectively
- Enabling them to spend more time devoted to client relationships and other strategic business activities
- Opening up access to a broader investment universe to meet clients' unique needs

According to a study by FA Insight, advisors who outsource investment management report a 19.4% higher income per owner compared to those who manage investments in-house<sup>1</sup>.

Additionally, a study by Cerulli Associates<sup>2</sup> found that about one-third of advisors were using some form of outsourced investment management as of 2020, highlighting the growing trend towards this model.

Moreover, outsourcing investment management gives advisors the opportunity to offer clients a wider range of investment options, sophisticated portfolio management strategies, and extensive investment research, resulting in growth for their firms. In fact, a survey by FlexShares ETFs<sup>3</sup> revealed that 72% of advisors who outsourced investment management reported an increase in their client base, and 68% reported an increase in client satisfaction.

Despite these benefits, the introduction of additional costs associated with outsourced investment management can be a sensitive issue for clients, who may view these expenses as a reduction in their overall investment returns or as hidden charges.

Those who outsource spend<sup>4</sup>



### Alternatives to High Cost Platforms

SMARtY, a solution introduced by SMARtX, is a groundbreaking new manager-sponsored platform that significantly reduces advisors' fees. Removing the hefty costs associated with outsourced investment management, while retaining access to expertise and time-saving benefits creates exponential advantages for both advisors and their clients.



## Using Technology to Your Advantage

While outsourced investment management offers undeniable benefits, concerns surrounding additional costs can be a roadblock. Fortunately, technological innovation presents a solution: transforming outsourced investment management into a cost-neutral and potentially cost-saving endeavor. Let's explore how technology plays a crucial role in making outsourced investment management a win-win for both advisors and clients.

Automation using technology eliminates repetitive tasks. Wealth management platforms can be game-changers, automating workflows like onboarding, account updates, trading, and notifications.

In fact, Schwab's RIA Benchmarking Study confirms the impact: tech-savvy firms spend 12.5% less time on operational tasks, with top performers reducing their time by nearly 20%<sup>5</sup>.

Modernizing your tech stack isn't just about saving money; it's about investing in your firm's future. By automating tasks, streamlining workflows, and freeing up your team, you unlock the potential for increased efficiency, enhanced client service, and ultimately, a more profitable and resilient business.

### SMArtY: Empower Your Outsourced Investment Strategy

Recognizing the need for a cost-effective solution, we at SMArtX are proud to introduce SMArtY. This innovative platform leverages our award-winning technology and industry expertise to provide advisors with a free, comprehensive solution for outsourced investment management.

Advisors using SMArtY can expect:

- Lower firm and client costs: SMArtY is sponsored by asset managers featured on the platform, meaning that professionals can keep more of their revenue.
- More time for revenue-generating activities: SMArtY takes on the burden of sourcing managers, allocating accounts, trading, rebalancing, and reporting on client accounts.
- Use of award-winning managed accounts technology: SMArtX built the technology that powers SMArtY from the ground up and has been recognized with industry awards from WealthManagement.com 'Wealthies', ThinkAdvisor Luminaries, MMI/Barron's Industry Awards, Finovate, and several others.

SMArtY proudly offers model strategies from these world-class asset managers:



To learn more about SMArtY, visit our website.



1) FA Insight, 2019

2) Cerulli, 2023 <https://www.cerulli.com/press-releases/affluent-investors-are-more-reliant-on-advisors-than-ever-before>

3) FlexShares, 2022 <https://www.northerntrust.com/japan/pr/2022/flexshares-survey-finds-advisors-highly-satisfied-external-investment>

4) Cerulli, 2023, <https://www.cerulli.com/press-releases/affluent-investors-are-more-reliant-on-advisors-than-ever-before>

5) Schwab, 2022 Schwab's RIA Benchmarking Study