

Industry Trends and Where to Add Value in 2023

Rob Mounts

Executive Director – Portfolio Management Solutions

Fi-Tek, LLC



1

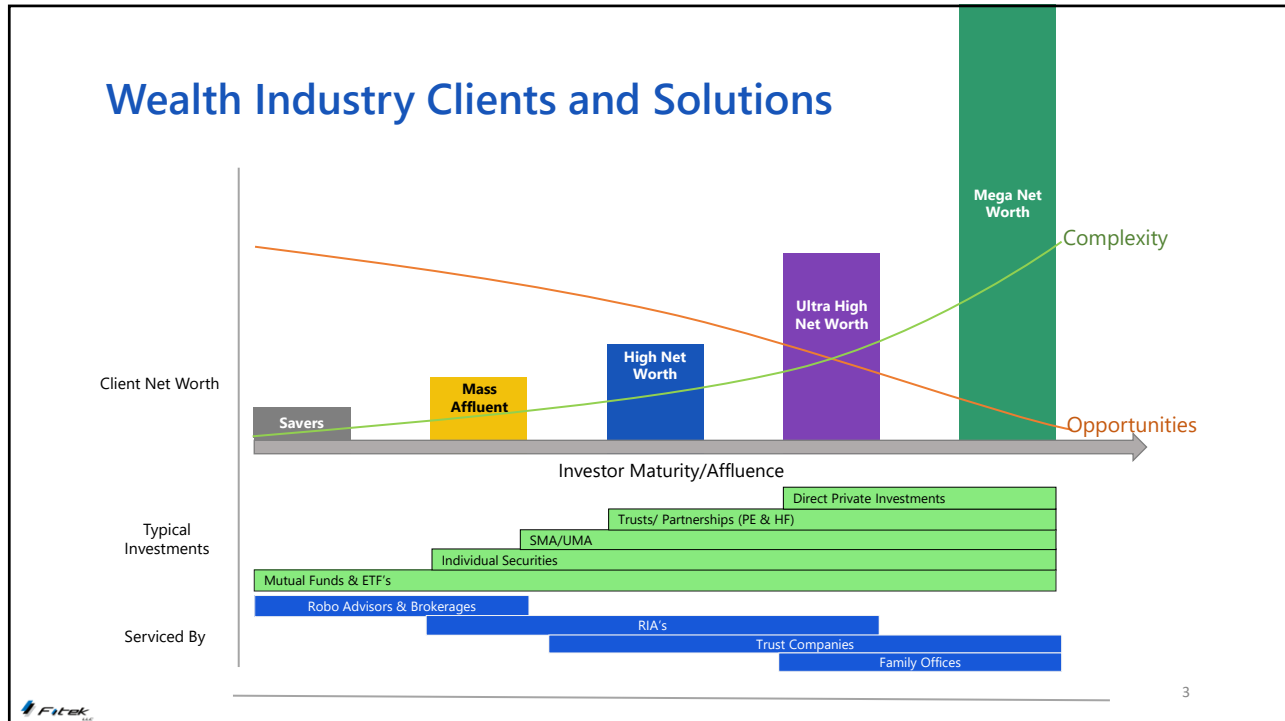
Industry Trends

- Small Account Solution
- Insourcing, Outsourcing, and Automation
- Customization



2

2



3

Small Account Questions

- Why?
- How?
- Who?
- How?
- Where?
- How?
- When?
- How?
- Who?
- How?

4

4

Small Account Questions

- Why roll out a Small Account Solution?
- Who is your target client?
 - Saver?
 - Inheritor?
 - Short-timer?
 - Spender?
- Where are these accounts located?
- When do they become a full-service wealth management client?
- Who are you competing with?



 Fitek

5

5

Firm	AUM	Number of Clients	Avg Size	Stated Fee	Recurring Revenue per Avg Client	Annual Fee per Avg Client
Vanguard Digital Advisor	\$140.7B	336,000	\$418,750	25 bps	\$1,047	0.25%
Schwab Intel Portfolios	\$70.3B	250,000	\$281,200	\$300 + \$30/month	\$360	0.13%
Wealthfront	\$34.0B	520,000	\$65,385	25 bps	\$163	0.25%
Betterment	\$33.8B	910,000	\$37,143	\$4/month or 25 bps	\$93	0.25%
Wealthsimple	\$17.5B	2,000,000	\$8,750	50 bps	\$44	0.50%
Acorns	\$6.2B	4,600,000	\$1,348	\$3-\$5/month	\$60	4.45%
M1 Finance	\$5.5B	57,000	\$96,491	FREE!	\$0	0.00%
SigFig	\$2.3B	41,000	\$56,098	25 bps	\$140	0.25%
Ellevest	\$1.4B	136,000	\$10,294	\$1-\$9/month	\$108	1.05%

 Fitek

6

6

Small Account Questions

- How do you price this?
- How do you brand this?
- How do the investments compare to your full-service offering?
- How do you graduate a small account client to a full fee wealth management client?
- How many accounts are you going to open?



7

7

Insourcing, Outsourcing, and Automation

- **What to keep internal?**
 - Non-routine tasks, that require social intelligence, complex critical thinking, and creative problem solving.
- **What to outsource?**
 - Non-differentiated tasks that are resource heavy
 - Lack of resources
- **What to automate?**
 - Low value-add, routine tasks



8

8

Investment Management Process

- Macro Economic Research
- Asset Class Research
- Projections of Risk & Returns
- Efficient Frontier Analysis (constraints on the theory)
- Determining Strategic Portfolios
- Investment Manager Research and Due Diligence
- Portfolio Construction
- Security Selection
- Tactical Changes
- Rebalancing
- Monitoring

Inourced Investment Management Process

- **Inourced:**
 - Efficient Frontier Analysis (constraints on the theory)
 - Determining Strategic Portfolios
 - Investment Manager Research and Due Diligence
 - Portfolio Construction
 - Security Selection



Outsourced Investment Management Process

- **Outsourced:**

- Macro Economic Research
- Asset Class Research
- Projections of Risk & Returns
- Tactical Changes
- Security Selection



11

11

11

Automated Investment Management Process

- **Automated:**

- Rebalancing
- Monitoring



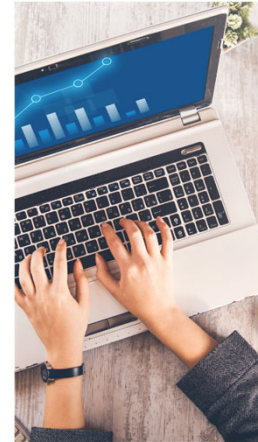
12

12

12

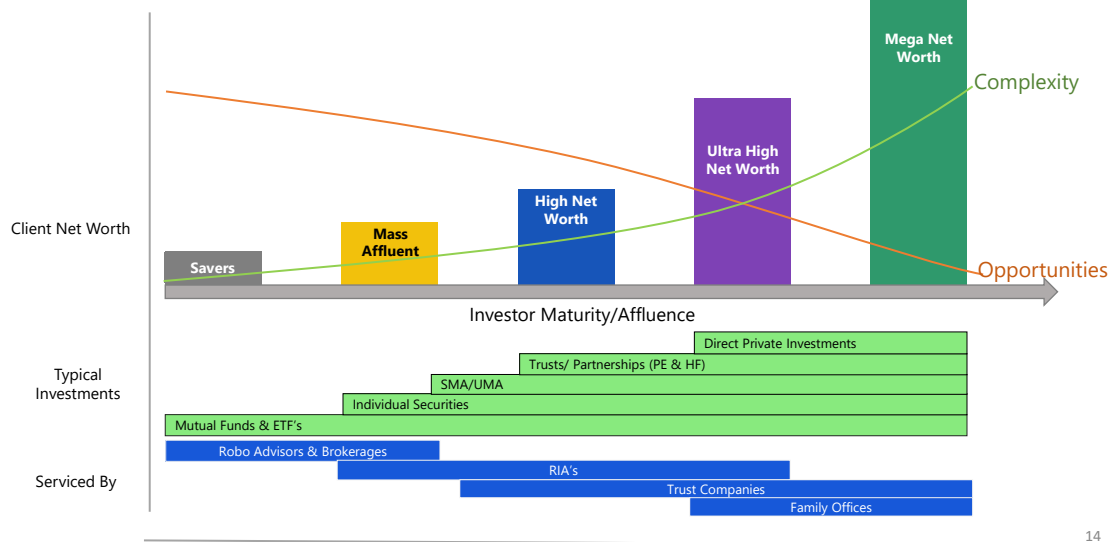
Offering Customization While Maintaining Efficiency

- Why offer customization?
- How to maintain efficiency?
- Trading Process
- Constraints



13

Wealth Industry Clients and Solutions



14

Where Investment Professionals Can Add Value

- Due Diligence
- Implementing
- Client Contact



15

15

Where Investment Professionals Can Add Value

- Due Diligence
 - Investment Managers
 - Investments
 - Client Base

Generate your "best ideas".



16

16

Where Investment Professionals Can Add Value

- Implementation

- Trading
- Rebalancing

Getting your "best ideas" into client portfolios



17

17

Where Investment Professionals Can Add Value

- Client Contact

- Pro-active market communication
- Periodic review meetings
- Client education
- Client entertainment

Explaining and educating the client on their results.



18

18

Where Investment Professionals Can Add Value

“Non-routine tasks, that require social intelligence, complex critical thinking, and creative problem solving.”

- Due Diligence
- Implementing
- Client Contact

Thank you!