

## Navigating the new normal for wealth management

Reduce costs and manage risk  
while increasing fee transparency



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# Introduction

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## Managing a global health and economic crisis

The COVID-19 pandemic is an unprecedented humanitarian and economic crisis causing health concerns and hardship for consumers, businesses and communities worldwide. Governments, the medical community, industry, and individuals are all stepping up in their own way to help combat the virus and stabilize the economy.



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## Impact on wealth management

As an industry, wealth management has been heavily impacted. In less than one month, markets dropped ~30% from their peak value<sup>1</sup>. The ongoing volatility and uncertainty has forced many firms to redefine their objectives and business models as they see ongoing cuts to revenue due to the reduction of AUM.

There's also a growing tide of investors questioning the value they receive from their advisors. Rising investor discontent combined with ongoing market volatility will continue to push revenues down even farther. Given the current situation, it's no wonder that many wealth firms are relying on their operations teams to find new solutions to cut costs and decrease exposure to risk.

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## Opportunities for leadership

To remain competitive, firms will need to manage risks and costs. As well, they will have to redefine the value they provide to their clients and develop a coordinated strategy to reinforce that value. Firms that can quickly pivot around the new market demands will gain an upper hand in the rapidly changing marketplace.



# 4 ways to reduce costs and manage risk

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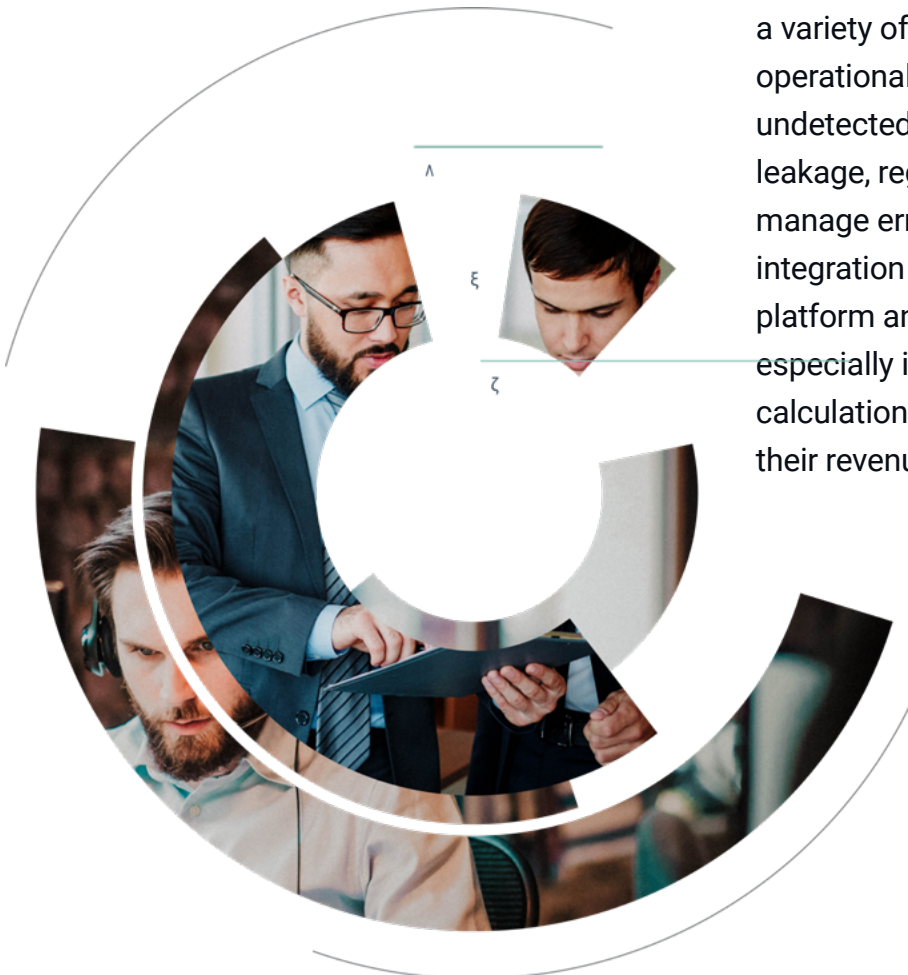
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# 1 Reduce back office costs

## Challenge

Wealth management firms have to manage a variety of back-office costs while ensuring operational excellence. Billing errors and undetected data anomalies can lead to revenue leakage, regulatory fines and higher costs to manage errors. Acquisitions can result in major integration costs to add the new business to the platform and maintain different fee structures, especially if the acquired firm relied on manual calculations or outdated systems to calculate their revenue.



## Opportunity

- ▶ Invest in an automated and robust solution for fees and billing. Ensure that it can accurately calculate and accrue fees daily across all programs, has the flexibility to handle incentives or performance fees, referral fees and sub-advisor fees.
- ▶ Reduce back office cost by partially or fully automating new account onboarding and fee processing workflows.
- ▶ Protect the core revenue-generating function with a multi-step, fee processing workflow and fee volatility analytics.
- ▶ Ensure that your fee solution has the flexibility to manage all lines of business, from mass market to ultra high net worth offerings, on one integrated platform.

*Wealth management firms can save as much as \$1M per year by implementing the PureFacts Fees & Billing platform<sup>3</sup>.*

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## Manage risk with automation

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### Challenge

Wealth management firms face a number of potential operational risks. There's the risk of not having accurate and dependable revenue reporting. The risk of outdated systems handling critical functions, including portfolio management and risk management. As well, there's the risk of serious damage to a firm's reputation as a result of inaccurate fees, undetected data anomalies, or billing errors.

In some firms, their fee engines can't handle the complexity of multiple, non-integrated systems. So their operations teams are forced to calculate some of their fees manually. As a result, these firms expose themselves to a greater possibility of costly mistakes and increased back office costs. Also, fee calculations that aren't automated can take away from other, more strategically important tasks.



## Opportunity

- % When considering a fee calculation solution, think about future applications. Choose an automated one that can interact seamlessly with your existing tech stack and other systems, including client book of record, portfolio management systems and others.
- % Look for a fees and billing solution that runs on a cloud-based platform. This ensures more efficient operations, automated updates, reduced compliance risk, easier reporting, and scalability to support your firm's growth.
- % Eliminate the risk of incorrect billing with automated tests to ensure that fees were properly applied.
- % Use Artificial Intelligence and machine learning techniques designed to identify and prevent costly mistakes by spotting data anomalies.

*Operational excellence will be critical for defending margins in an era of greater fee transparency and lower fees<sup>4</sup>.*

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# 3 Ensure compliance with a holistic view of clients

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## Challenge

New regulatory frameworks, such as Reg BI, require that wealth firms meet a higher level of scrutiny and compliance around fees, suitability, and client best interest. As part of the compliance process, it's essential to have an overall view of each client.

However, firms of all sizes often struggle with the complexities of data management and are unable to connect fragmented data sources into one consolidated system. This may result in a disbursed view of the customer, hindering a firm's ability to deliver exceptional client experiences. It may also jeopardize a firm's ability to comply with regulatory requirements such as Reg BI and Form CRS.

## Opportunity

- & Ensure that your fee calculator can effectively aggregate data from all possible sources, including systems for onboarding, CRM, and portfolio management, as well as custodian integrations, and market data sources.
- & When choosing a new fee calculation platform, only work with suppliers that have extensive experience cleaning, managing and aggregating large amounts of sensitive data.
- & When creating Form CRS and layered documentation, clearly document where the fees are being applied and to which products. Ensure that the standard of care has been applied before or at the time of recommendation for portfolios and transactions.

*Invest in and build customer insights engines, developing a comprehensive view of clients<sup>4</sup>.*

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## Attract and retain clients with tailored pricing and fee transparency



### Challenge

Pricing is one of key factors investors consider when selecting a wealth manager. Tailored pricing strategies help firms to differentiate themselves from the competition and provide added value for clients. Transparent disclosure of fees is also important to investors to help them determine the value they receive for the fees they pay.

Transparency can be challenging for large firms with a complicated product shelf, but smaller firms can also find it a daunting task if their systems don't facilitate transparent reporting. The increased regulatory focus on transparency (e.g. Reg BI, RDR, MiFiD II, CRM2, and CFR) makes transparency not only advisable but also mandatory for compliance.



## Opportunity

- \$ Tailor your pricing strategies based on client relationships with asset class, security exclusions, performance fees, multi-household tiering, and other types of fees.
- \$ Predict the lifetime value of a client and base pricing recommendations on their revenue-generating opportunity. For example, consider tiering assets across multiple related families for high net worth and ultra high net worth clients.
- \$ Ensure you can access accurate, dependable and simple fee calculations that will seamlessly feed into all your statements and reports.
- \$ Clearly articulate for clients how their fees are structured and the value they receive for their fees. The benefit is that as transparency increases, so does client loyalty and trust.

*Pricing transparency and competitive fees among the top 5 factors for clients when selecting wealth managers<sup>2</sup>.*





# PureFacts Fees & Billing Solution

Our industry-leading solution Fees & Billing Solution automates fee processing and revenue management, and enables our clients to demonstrate the value of their advice.

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# Key features

## Build trust with daily fee transparency $\beta$

Fully transparent fee calculation process makes it easy to explain how daily fees are calculated and demonstrates the value of advice.

## Differentiate with tailored pricing $\sigma$

We can tailor pricing strategies to your client needs with asset class, security exclusions, performance fees, multi-household tiering, and more.

## Reduce back office cost $\theta$

Depending on size, wealth management firms can see cost savings of as much as \$1M per year by implementing the [PureFacts Fees & Billing platform<sup>3</sup>](#).

## Manage risk with accurate daily calculation $u$

Exceed regulatory requirements and protect your core revenue-generating functions with fee processing workflow and fee volatility analytics.

# About PureFacts

## Manage change with new technologies for growth

In times of unprecedented upheaval, PureFacts helps you manage change by leveraging new technologies for our mission-critical software solutions.

We help forward-thinking wealth management firms not only provide the best possible wealth advice, but also capture, grow and protect the value of that advice. When you partner with PureFacts you harness over 10 years of experience in financial services, technology, data aggregation, and analytics.

### At a glance:

- Σ Fully bootstrapped and profitable every year since inception
- Σ 50+ clients serviced with total AUM of \$250bn+
- Σ Trusted wealth technology partner to large banks and leading investment firms

## Sources

<sup>1</sup> [McKinsey & Company: Wealth Management in Asia](#)

<sup>2</sup> [EY 2019 Global Wealth Management Research Report](#)

<sup>3</sup> Depending on size, wealth firms can see cost savings of as much as \$1M per year when implementing PureFacts Fees & Billing platform.

<sup>4</sup> [McKinsey & Company: On the cusp of change](#)

**Provide the value  
your clients expect  
with greater  
fee transparency.**

### **Get in touch**

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### **Learn more**

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[\*\*purefacts.com/fees\*\*](https://purefacts.com/fees)

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