



Data Solutions - Practice Management Insights

# The Myths, Fears, and Benefits of Moving Off Legacy Reporting Systems

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## PART 1: FOUR MYTHS AND ASSOCIATED FEARS

Technology has been supporting wealth management reporting since the 1980s, providing an ever-evolving array of metrics that have helped advisers analyze and evaluate ultra-high-net-worth (UHNW) portfolios, and in turn, provide better counsel to their clients. Many firms still use limited legacy reporting tools despite 30+ years of innovation that can deliver:

- Better data transmission and security
- Enhanced user features and customizations
- Multi-asset class and multi-currency modules
- More sophisticated metrics and graphics

Why is this?

Surely it can't be for fear that clients will not accept new technology, better data, and enhanced report formats. Most consumers are comfortable with the concept of technology upgrades. To wit: How many mobile phone upgrades have consumers endured over the past 30 years?

The reasons for continued reliance on legacy systems are often found in the myths and fears of what a reporting system conversion will entail. Perhaps equally to blame is the lack of education about the benefits a modern reporting system can deliver to a firm's reputation, operational efficiency, and enhanced client experience.

Let's look at the myths we hear most often that are driving the biggest fears.

### 1. A system conversion will cause a business disruption.

Let's face it, when business is good, there's little time for you to execute ancillary CapEx projects. Firms operating on legacy systems can get set in their ways, because they know what to expect from their current system's reporting output and can't allow any disruption to their business operation in order to transition to a new system. Will reports be ready when clients expect them? What other services will suffer when my internal resources are working on this project? In reality, system conversions are easier, faster, and less disruptive than ever before, particularly when leveraging outside expertise. "What once took nine months can now be done in significantly less time, with little to no disruption of current operations," said Mike Pakula, Managing Director, Data Solutions at iCapital. "Just as a smart baseball manager calls for his specialist 'closer'

from the bullpen, calling in a specialist firm to oversee your system conversion will avoid mistakes and save time."

### 2. Data will not convert accurately, and some may be lost.

Since reporting is all about data, this fear is understandable, but it can be misplaced. Nominal data loss can happen on occasion, but can be overcome with expertise and the utilization of enhanced conversion techniques. Furthermore, leading modern reporting software companies have designed their systems to accommodate inbound data conversions. Data file redundancy and post-conversion testing help confirm accuracy and completeness. "We see the fear of accurate data conversion as the biggest anxiety among clients facing a system conversion," said Pakula. "Our experience with conducting hundreds of conversions from legacy systems to an array of modern software helps us dissuade this fear. We help provide you with confidence that the data will migrate quickly and accurately."

### 3. New technology inevitably brings higher stress levels.

Everyone is familiar with the stress associated with acquiring a new mobile phone. Will all my apps transition?

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**Mike Pakula**  
Managing Director,  
Data Solutions

Will my data convert cleanly? Will the new device be easy to use? Familiarity with current technology, combined with the fear of not knowing how to operate a new system, can often lead to complacency when considering technology transition decisions. It is counterintuitive to think that new technology will create more stress when its purpose is to reduce stress and make processes easier. Any short-term apprehension associated with new technology adoption will be immediately relieved by the benefits associated with its use. Anxiety around new tech adoption will be reduced dramatically as user training ramps up. These days, training can be delivered more efficiently than ever before by inviting experts to deliver side-by-side or virtual classes and not relying solely on manuals and help desks. When training is coupled with expert-led system configuration, the business benefits of modern tech go way beyond process efficiencies and better output.

#### 4. Modern technology comes with higher licensing fees and thus reduces margin.

Transitioning to modern technology in any field is perceived to come with a higher operating cost, and financial reporting tools are not immune to this dynamic. However, as it relates to the adoption of reporting technology, an analysis will show that any margin erosion is temporary for firms committed to maximizing its value. "Regardless of your role in managing their total assets, UHNW clients will reward the adviser who offers them a comprehensive view of their total wealth," Pakula said. "In addition, outsourced reporting system specialists who become an extension of your firm's team, help create greater firmwide efficiencies by freeing up internal resources, leading to greater ROI." Modern consolidated reporting solutions have been shown to be a net asset gatherer for advisers who offer this to clients, increasing total assets under management and overall revenues.

## PART 2: FOUR BENEFITS

Let's now explore the benefits from upgrading to modern reporting technology

#### 1. Better reporting sophistication and output help advisers serve clients better.

Simply put, you get more and better data with today's leading tools. For instance, legacy systems typically only deliver:

- Time-weighted rate of return only versus time-weighted rate of return and internal rate of return

- Liquid assets only versus liquid and illiquid asset reporting
- Basic standard fields versus fully customized fields and groupings

These are just a few examples of the differences in standard metrics delivered by modern tools.

Further, today's technology allows for more reporting customizations to help advisers identify hidden risks and opportunities within a multi-asset class portfolio. "Ultra-high-net-worth investors are more sophisticated today than ever before," said Pakula. "Our adviser clients realize that they have to deliver the information and analysis that their end clients expect, or worse, may get from another adviser."

#### 2. Consolidated reporting technology supports adviser business growth.

Competition among UHNW wealth management services continues to increase. Both organic and inorganic growth do not come easy. Advisers to UHNW investors must attend to all aspects of superior client service delivery in order to compete, including:

- Highly personalized relationship management
- Bespoke investment management guidance

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- Responsive and detail-oriented middle- and back-office services
- Impeccable reputation for all of the above

As mentioned, modern reporting tools help advisers deliver better guidance, leading to an enhanced reputation and more client referrals. The Great Wealth Transfer of \$30T from Baby Boomers to the next generation increases the pressure for advisers to meet this cohort's expectations for tech-enabled services. In short, advisers who modernize their reporting ecosystem will earn a larger mandate from clients who aren't seeing this from their other advisers.

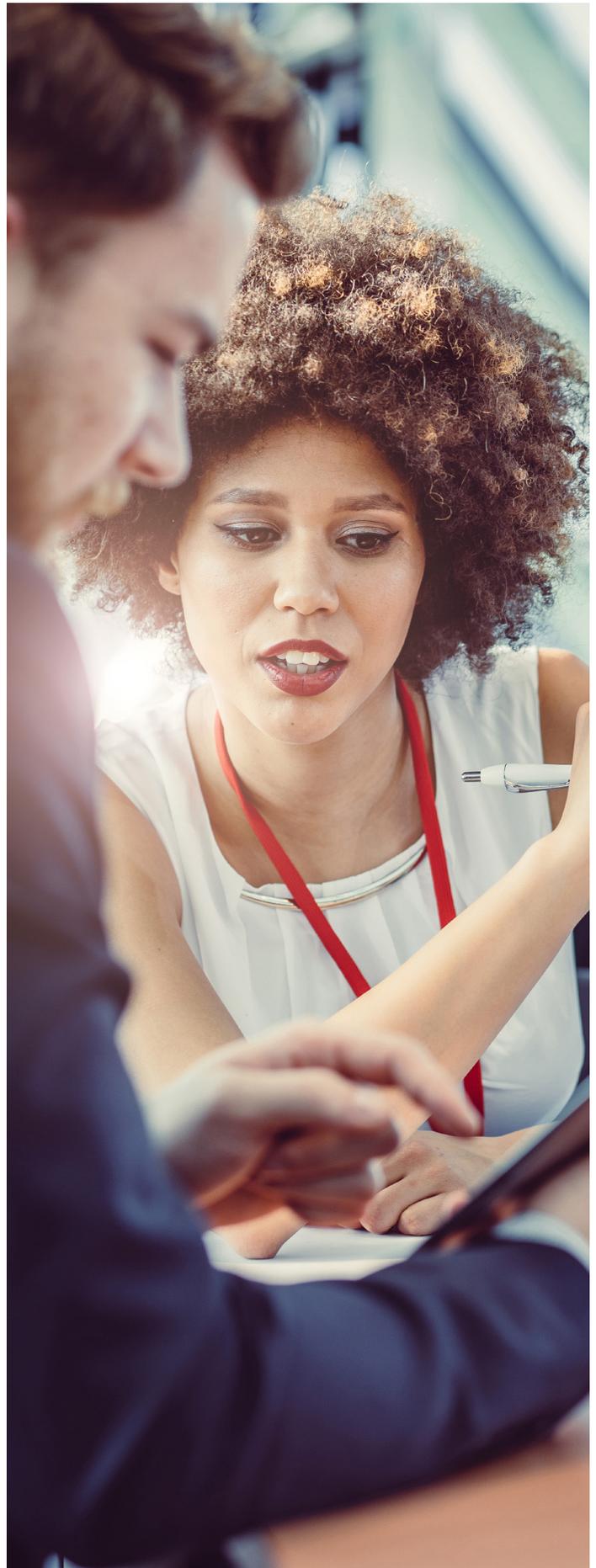
### **3. Client data is more secure in today's cloud-based reporting systems.**

Some may find this hard to believe, but most legacy reporting systems store data on local servers at the client location. With the availability of today's data security technology, this is no longer acceptable. No business continuity plan can overcome the loss of data through fire, flood, or theft. Cloud computing and storage, once misunderstood as a potential data risk, is now table stakes for any firm serious about data security. Move to modern technology and move your data to the cloud for greater security.

### **4. Modern systems are designed for better user interface and operational efficiency.**

Of us who are old enough to remember when Apple Computer brought forth the icon-driven user interface knew we were seeing a paradigm shift. Ever since, software developers have put the user experience front and center. The importance and value of better charts, graphics, colors, and more should not be underestimated for the user interface or the reporting output. And these leading software systems are backed by powerful analytics. For wealth management operational staff, convenience is being highlighted through such features as built-in billing capabilities and prefabricated compliance extracts not offered in most legacy systems. With operational staff being asked to do more than ever before in UHNW client service, firms are clamoring for ways to be more efficient, including an increased use of outsourced operational expertise.

For guidance on moving your firm to a modern performance reporting system, contact the Data Solutions team at iCapital at [info.datasolutions@icapitalnetwork.com](mailto:info.datasolutions@icapitalnetwork.com).





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