Getting Started With Document Management Technology: A Guide For Advisors

Harness the vast benefits of improved efficiency, enhanced profitability and increased business value

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▪ Industry Case

The independent investment advisory industry is undergoing rapid change. What once was a sleepy corner of the financial services industry now has become the dominant form of advice delivery in the U.S., with over $2.1 trillion in assets.

Legacy institutions, such as wirehouses and banks, have been humbled by financial crises, resulting in bankruptcies, mergers and government takeovers, causing dissatisfied investors and advisors to rapidly move into the independent channel. Additional ramifications will manifest themselves in increased regulations and requirements for financial services firms as the government moves to strengthen protections from these massive failures.

The upshot of all of this is that independent investment advisors will be faced with the daunting challenge of managing growth in a more complex market environment. Add in the revenue pressures from the decline in the markets, and independent advisors will be facing a steep challenge to not only capitalize on the opportunities in front of them, but also to survive as profitable entities.

Industry experts agree that the best solution available is to adopt technology to increase efficiency, streamline operations, create economies of scale and enable rapid response to regulatory changes. However, independent advisors traditionally have been slow to adopt these new technologies, despite their clear benefits.

In particular, one technology solution—document management—has shown the most immediate benefits for independent advisors. From efficiencies and workflow simplification to cost-effective compliance and disaster recovery planning, document management provides a tremendous return on investment (ROI). Successful advisors have achieved an average 9% reduction in overhead expenses and hundreds of thousands of dollars (even millions for larger firms) in increased business value.

The evidence shows, however, that despite its affordability, availability and ease of implementation, fewer than 1 in 6 advisors have implemented document management. The purpose of this white paper is to identify the reasons why advisors haven't moved forward and provide real world solutions to implementing document management technology.

The Benefits of Document Management For Independent Advisors

Among the most dramatic results of a digital document management system are the substantial and measurable time savings and efficiency improvements for front and back-office staff. Having documents simultaneously available for front- and back-office staff and advisors to access directly from their desktop computers dramatically increases the speed of search and retrieval. Digital search and retrieval enables staff to locate critical information in seconds, saving the time it takes to search through paper files, locate the appropriate piece of paper and find the desired piece of information on the page. When the cost of manual alphabetizing, sorting and filing is added in, advisors often find themselves dedicating an entire staff position to managing their firm's paper infrastructure.

Once you use document management software to store electronic images of your scanned paper documents in a secure repository, you no longer need to photocopy documents, and will reduce the amount of physical mailing and faxing. In other words, you will "scan once and use many." In fact, many firms only need to print paper as needed for client meetings and reporting to financial institutions.

Joe Salpietro of Xpyria estimates that "we print less than 1/3 the paper other firms do for comparable work. The biggest advantage is having all of our work product instantly available—in the manner of Bill Gates' vision of 'information at your fingertips.' When we are moving offices, it is very nice not to move boxes of client files."

Another component advisors may need is the ability to retrieve files when out of the office. Wouldn't it be nice to carry just your laptop instead of file folders in the trunk of your car? With document management software you can have instant access to your files, without carrying paper or other storage devices. This is particularly important in light of privacy, and data protection requirements, so that you avoid the risk of having sensitive client information lost, stolen or misplaced.

Another visible benefit of digital document management technology is a reduced need for physical storage space for paper files. Once a digital document management system has been fully implemented, file cabinets are no longer a necessity. Firms using digital document management systems are able to reduce their storage space and either move into smaller offices or eliminate the need for additional space as they add new advisors.

Furthermore, as the regulatory landscape continues to evolve and change, RIA firms are reporting that it is taking more and more of their energy, time and focus to keep up with the latest rules and regulations. Digital document management has many compliance benefits, including enhanced security, efficient audit preparation, improved disaster recovery and business continuity planning.

- **Secure your information.** A document management system should accommodate user-based security, protecting entire folders (such as Human Resources or tax information), subfolders (such as client tax information) or individual documents. Digital redactions can protect extremely sensitive information from unauthorized users. These security features, which are simply unavailable with paper-based systems, are additional key benefits of digital document management systems.

- **Prepare for disasters.** When it comes to preparing for disaster recovery and business continuity planning, paper can make compliance with regulations a challenge. Fire, flood, natural disasters and theft threaten the integrity of paper archives, but duplicating paper documents for off-site storage is an expensive, time-consuming process. With document management, you can simplify your preparations for disaster recovery: Quickly and easily store documents offsite. Access your files through the Web. Or even store entire document repositories on durable CDs, DVDs or other portable media.

- **Simplify the process of planning for audits.** With your documents stored electronically, you can quickly and easily pull requested files and provide them to auditors by e-mail or on CD or DVD. You also minimize the time auditors spend in your office by providing records on demand. Says Melissa Provost of Stage 2 Planning Partners, "During our last audit, instead of the auditor requesting documents and sitting and waiting while we found them, we gave them a desktop computer logged into Laserfiche. We can easily search for any document they'd like to see, and bring it up almost instantaneously for them to look at right there on the computer. Normally, our audits last from about 8:30 A.M. until 12:00 P.M., but with Laserfiche, we were done and the auditor was out the door by 10:30 A.M."

Finally, in terms of business valuation and succession planning, a firm with a systematized, efficient infrastructure is more highly valued, due to lower operational and investment risk, as well as higher profitability. Applying these concepts to the ROI for a technology implementation like a digital document management system, the dramatic impact on business value becomes clear—not just through more satisfied clients and more productive staff members, but also through more easily organized and transferred client records.

Based on hundreds of installations and associated experience with investment advisors worldwide, Laserfiche conservatively estimates that the savings from back-office, space, and compliance efficiencies firms can realize savings of $40,000 or so annually when they integrate a document management solution into their practices. A conservative estimate for the multiples of cash flow determined the increased business value of 5 to 10 times cash flow. The dramatic increase in business value is seen with the efficiency and profitability realized through digital document management savings. To access the full research, please visit **www.laserfiche.com/ria**.

The Challenges to Getting Started

According to the latest 2009 Technology Survey by Joel Bruckenstein, published in *Financial Planning Magazine*, fewer than 10% of RIA firms have adopted electronic document management technology. Yet 31% scan PDFs into a Windows® directory, and 50% stick with their current paper-based environment.

So what's stopping advisors from implementing a technology that is so clearly of benefit to them? Simply, it often comes down to inertia, often due to a misunderstanding of what it means to use document management technology.

Your Action Plan

1. Determine Your Goals And Objectives
2. Determine Your Needs
3. Determine How You Distribute Documents
4. Determine Your File Structure
5. Determine Your Daily Procedures
6. Start Scanning
7. Gradually Convert Existing Paper Files

Amy Flourry of Rehmann Financial says of her firm's paper-based processes, "It was difficult to remain consistent. We had local network drives where we could share some information, but it became a huge burden on our IT department to keep making different drives available in different locations. Additionally, we were drowning in paper and had no real way to manage it. Ultimately we realized if we continued on our current path we would reach a breaking point. That realization drove us to seek solutions."

Rehmann's experience is very common and is indicative of how many advisors delay implementing technology until they reach a breaking point. The problem with waiting is that it increases the challenge of implementation, because the longer you wait, the more there is to do. While Rehmann thought that this would be a big project, they ultimately realized that by partnering with a local solutions provider, they were able to outsource the system design implementation and training, simplifying their execution of this new technology.

After the process was completed, what did staff at Rehmann Financial think? "When we look back on this we can't believe we waited so long, and will never even consider going back to doing business the paper-based way," Flourry says. "The longer you wait to go paperless, the more work it takes. If you can adopt your system early on, when you have a manageable work load, it makes things so much easier."

The upshot, for many advisers is to just get started. However, another problem occurs when advisors adopt a form of this technology—but with critical limitations.

The Limitations of PDF and Scanning into Windows Directories

Industry experts say that relying on proprietary formats such as PDF and storing them in a Windows-based directory fails on a number of fronts, including compliance, security and accessibility. For example, as you store PDFs in a Windows directory, the quantity of files stored will proliferate and grow within its nested folder structure.

> "Of those who said they do use a document management system, 21% said they use Adobe® Acrobat. This is a fine application, but it is not document management software."
>
> Joel Bruckenstein

For some advisors, thousands of documents with inconsistent naming conventions clutter these electronic files, which makes it very difficult to locate and retrieve specific files. Additionally, Windows directories are notoriously insecure and are subject to misfiling mistakes, inadvertent deletion and do not offer an audit trail to track who has accessed confidential documents—a factor which is critical for compliance.

Document and records management professionals prefer that the non-proprietary TIFF file format be used, because of the compliance and efficiency gains. Quality document management systems store files as single page TIFFs, so if you are accessing a 700-page TIFF file, you see only the exact pages you want to see. Contrast this with a 700-page PDF document which can take several minutes to download. Add this time up over a week, and the benefits of document management are clear.

When combined with advanced document management features such as OCR (Optical Character Recognition), which automatically extracts indexed text for simplified full-text searching, locating specific content is nearly instantaneous, whereas a Windows directory search can be a more time-consuming process.

Understanding Your Existing Business Processes

Another challenge for RIA's in getting started with technology implementations is that they often do not have a good handle on how they currently process business. In the document management arena, our research has shown that even though some advisors are scanning their documents, they have not integrated that with the way they do business. Often times they are scanning into a Windows directory, that for a variety reasons is not secure, search friendly, or efficient.

For many financial advisors, basic business process analysis reveals a need for a better definition of existing paper-based workflows. "By understanding our workflows, our document management implementation was made much easier," says Amy Flourry of Rehmann Financial.

D.I.Y. is Not the Answer

Investment advisors are running a very busy enterprise. Not only are most principals and staff working directly with clients, but they are also burdened with the dual role of operational and business management. So it's clear that many advisors don't have thetime—or the technical expertise—to dedicate to technology implementation. And this is the key reason why, despite the numerous benefits, advisors have been slow to adopt technology.

For the financial industry's top advisors, their philosophy towards outsourcing is to bring in regional document management experts, consultants, and solution providers for the areas where they do not have expertise. They have found that outsourcing is the most effective use of their time. In fact, industry experts suggest that if you are contemplating a technology implementation, that one of your best approaches is to rely on a consultant who is knowledgeable about your business model and can customize technology to meet your specific needs.

This is a key reason why the industry's top document management solutions offer implementation through industry-specific solutions providers. These providers are local, have the time to work with you and will use the expertise gained from working with thousands of financial advisors so that your implementation process is quick, easy and cost-effective. And they work with you as your system grows.

"Our philosophy is that whenever we bring in a third party to solve an operational challenge for us, they need to bring a complete solution. They can't rely on us to do the work," notes Joe Salpietro of Xpyria.

"For us, the key to getting started was working with our solutions provider, who already had a game plan in place that was customized to our needs. They did what they were going to do, which was design installation and training so that we could hit the ground running. My advice to other advisors considering document management is to not tackle it yourself or rely on a self service type system," he adds.

The Cost is Lower Than You Think

Even with outsourcing technology implementation, the cost of large enterprise quality solutions for advisors has lowered dramatically. The technology that used to cost upwards of $50,000 is now available for $5,000. This means for small to medium sized investment advisory firms, implementing a highly sophisticated yet user friendly system is well within their budgets.

> "Laserfiche Avante™, a business process management system, ties together a scalable, robust document management system with integrated, automated workflow software at a price that is affordable to even the smallest financial advisory firm."
>
> Joel Bruckenstein

Additionally, there are new features and functionality available in the latest versions of document management solutions that make them extremely cost effective. For example, business process management solutions combined with document management can revolutionize the way advisors manage their daily business process.

Business process management tools such as workflow automation offer many benefits for financial firms. Quickly streamline repetitive paper-based processes like new account opening or order approval. Automatically exchange information between your portfolio management software and your document management software. Or automate document retention and destruction guidelines, in compliance with SEC and FINRA regulations.

Even if you work alone, you can benefit from workflow automation technology. Suppose you're a sole proprietor with a large quantity of annual reviews to schedule. You could generate these letters in Microsoft Word and then send them to your document management repository automatically, where they are routed to an "Awaiting Action" folder. Then, when you've performed an action on a review notice, such as setting its Status to "Scheduled," workflow technology can route that invoice to a particular folder and perform other actions, such as e-mailing a reminder of their appointment to a client. Then, once the appointment has taken place, you might set the document's status to "Complete," upon which the workflow module could take further action, such as automatically setting a reminder to follow up in three or six months. And if 30 days pass without a response from your client, you could even automatically send a reminder e-mail to your client.

■ Creating a Culture of Efficiency

According to industry research, the average document is photocopied 22 times, at a cost of nearly $1.00 per page. To break the cycle, you must to think about retaining and disseminating information with a “scan once—use many” concept. Instead of incurring added costs, destroying trees, and creating unnecessary work for staff, if that document is scanned into a repository, it can then be used many times and be disseminated by electronic means, such as e-mail and Web posting. This is the start to building a culture of efficiency throughout your firm.

“When we started out we knew we needed to have a certain amount of discipline in our process,” says J.C. Abusaid of Halbert Hargrove Investment Counsel. “Our investment advisors needed to adopt an approach to document management, therefore from an operational point of view we put in a process to make it easier for them. Scanning Fridays, and having our receptionist be the sole scanning operator, made it simple and easy for everyone to know what to do, when to do it, and how to do it. The benefits of efficiency are incredible, and we would not be able to operate our current state without it.”

Conclusion

In this time of rapid change and constant volatility in financial markets, independent investment advisors are faced with a remarkable opportunity. Leading advisors who have adopted a forward-looking approach to using technology to solve their everyday operational and growth needs are realizing a disproportionate share of the growth opportunities caused by the financial crisis.

You can also make the leap to a more efficient, scalable and thriving enterprise by getting started with digital document management. You owe it to yourself, your clients, and your staff, to learn how digital document management solutions can position your firm for long term success and create business value that you can realize in the future.

Just ask Alan Levitz of GCG Financials. "We wished we had started with document management very early on. Our industry generates paper by the truckload. In order for us to grow and thrive we needed the ability to stop the flow of paper that was drowning us. Once we realized that the longer we waited the more work there was to be done, we got started down the path. I would tell any advisor that it is imperative that they get started on this path as soon as they start their firm."

Log on to **www.laserfiche/ria** for a complete listing of industry resources, webinars, and other tools to help you get started today.

The Laserfiche Institute teaches staff, resellers, and current and prospective clients how to use Document and Records Management software most effectively. As part of this mission, the Institute conducts more than 500 Webinars each year, covering a variety of topics. The Institute also hosts an annual conference where members of the Laserfiche community attend presentations and network with each other to share ideas and learn best practices. Additionally, the Institute conducts a number of regional training sessions and provides resellers with content for over 100 user conferences each year.

The Institute also develops and distributes educational material through the Laserfiche Support Site. On this Website, clients can access training videos, participate in online forums and download technical papers and presentations that help them become even savvier EDMS users.

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