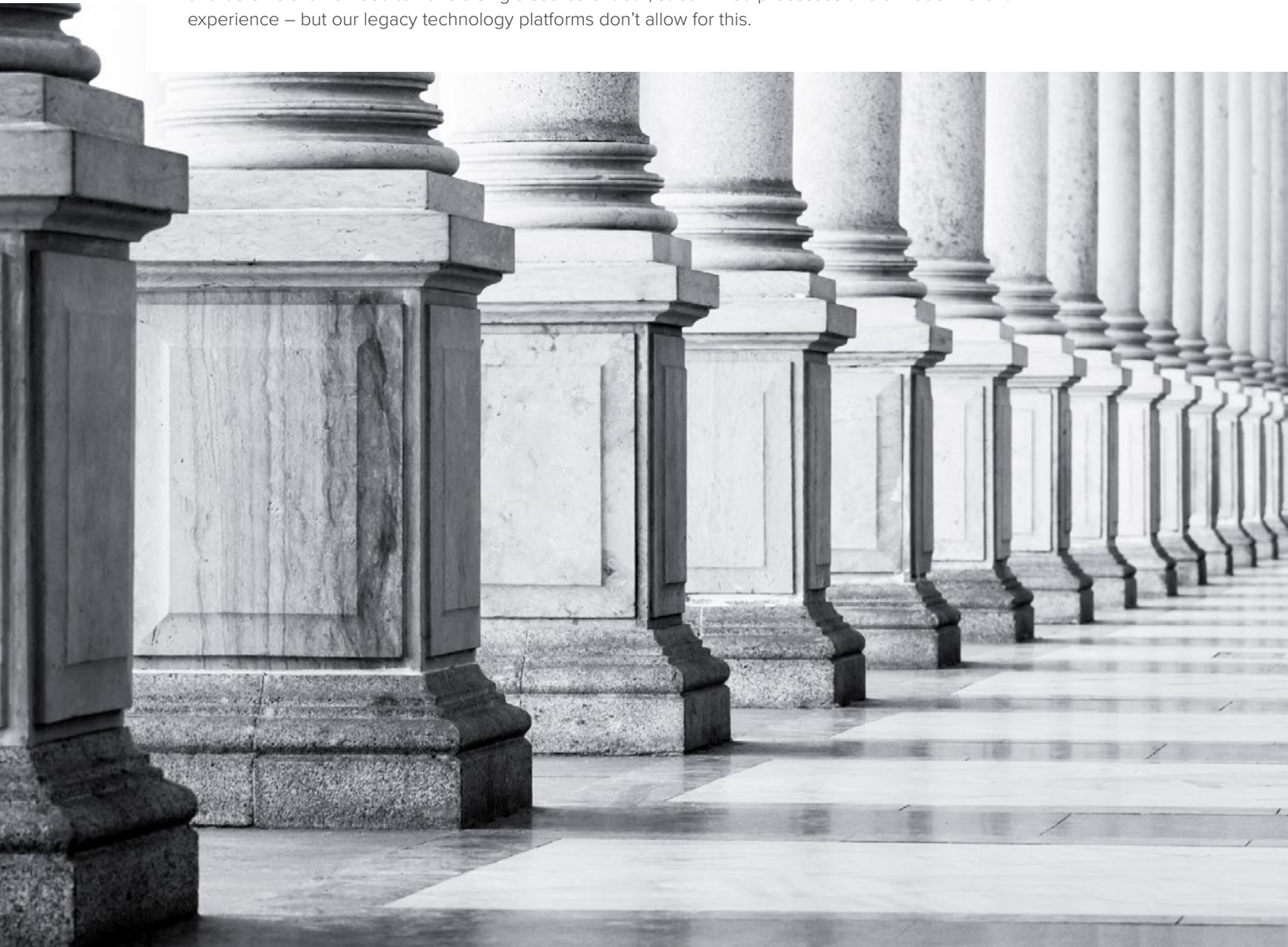


A Bank Wealth Management Executive's Guide to Platform Technology Strategy in the 2020's

Users of platform technology across banking organizations communicate this common theme: to compete and be efficient we need to have a single source of truth, streamlined processes and a modern client experience – but our legacy technology platforms don't allow for this.



Executive Summary

All too often, decisions about investment management platform technology are made with the proverbial tail wagging the dog. They are driven by teams that are looking to do what they have always done in a slightly more scalable, efficient way, but isolated from decisions on the rest of the advice technology stack, workflow and broader decisions about future business strategy. Otherwise, decisions are made based on individual capabilities without sufficient analysis of how they integrate with the rest of your technology.

As bank executives increasingly seek to deliver stratified solutions across their entire client segmentation leveraging a common chassis and creating required scale, modern cloud-based systems combined with strategic outsourcing of non-essential, low value-add functions are key building blocks to the platform of the future.

Vestmark believes the best path forward begins with a clear target state operating model that both reflects the advisor and client experiences you desire to deliver and streamlines and improves key advisory processes.



Let's Start with the Client

Based on our study of the best practices being deployed at banks and other wealth managers to attract new households, deliver a differentiated, personalized client experience, and provide service excellence that retains clients and generates referrals, Vestmark recognizes that client-facing professionals need TIME. Yes, technology can improve efficiency and support your team as they engage clients but the number one driver of improved business performance, associate satisfaction and, ultimately, client outcomes and satisfaction is giving those skilled professionals time back during the day.

That philosophy has guided Vestmark's platform development since day one and has helped us create a highly differentiated scalable investment platform; one that is geared towards highly scalable, personalized portfolio management.

What Do Your Team Members Want From Their Technology?

As we speak with portfolio managers, traders, financial advisors, trust officers, operations teams, business development officers, compliance officers, and everyone across banking organizations who are users of platform technology, we hear a common theme: to compete and be efficient we need to have a single source of truth, streamlined processes and a modern client experience – but our legacy technology platforms don't allow for this.

Banks are increasingly recognizing that they must partner with firms that provide not only state-of-the-art SaaS technology offerings, but those that will continue to innovate, provide thought leadership, and act as a true partner over time.



Applying Design Thinking to the Advisor Technology Stack

We have designed a flexible platform that integrates into other parts of your ecosystem so that you control the ultimate advisor and client experience while leveraging our scale and processing power.

With the flexibility to allow trading discretion and operations, you have an unmatched opportunity to design workflows as you choose. In many cases, this results in centralizing trading with a middle office trade operations team, which frees up the front office to focus on business development, advice delivery, and client service. Being grounded on our multi-discretionary architecture, this centralized trading model means you don't have to sacrifice personalization and customization in exchange for efficiency.

You are also able to effectively balance enterprise risk management mandates with appropriate levels of advisor autonomy and flexibility required to optimize solutions for clients.



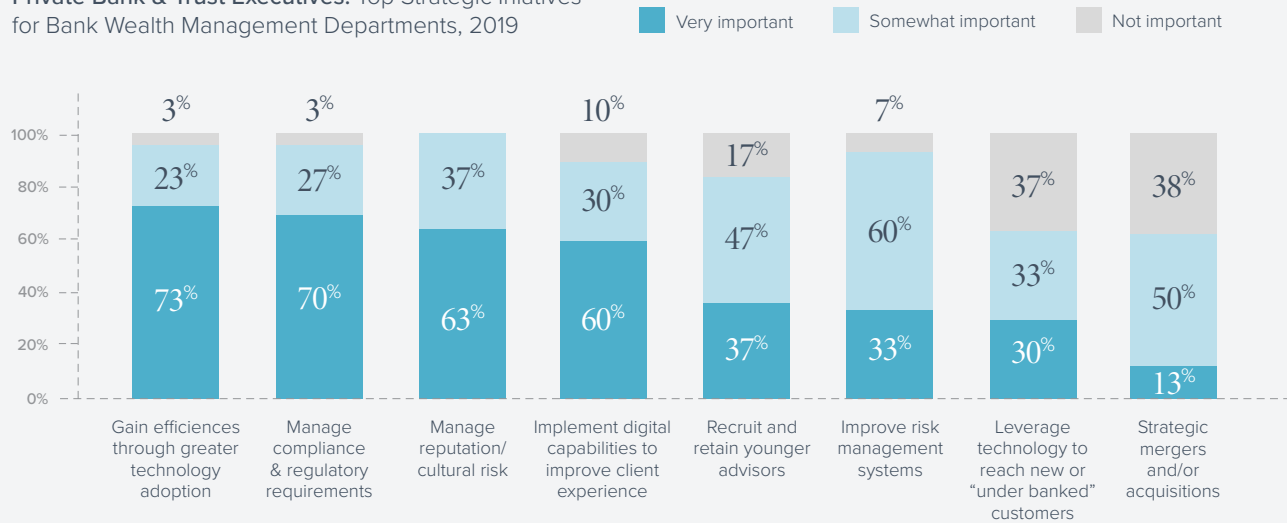
What is Design Thinking?

Design Thinking is an iterative process through which we seek to understand the user, challenge assumptions, and redefine problems in an attempt to identify alternative strategies and solutions that might not be instantly apparent with our initial level of understanding. At the same time, Design Thinking provides a solution-based approach to solving problems. It is a way of thinking and working, as well as a collection of hands-on methods.

Design Thinking revolves around a deep interest in developing an understanding of the people for whom we are designing products or services. It helps us observe and develop empathy with the target user, and aids us in the process of questioning: questioning the problem, questioning the assumptions, and questioning the implications. Design Thinking is extremely useful in tackling problems that are ill-defined or unknown by re-framing the problem in human-centric ways, creating many ideas in brainstorming sessions, and adopting a hands-on approach in prototyping and testing.

What Are We Solving For?

Private Bank & Trust Executives: Top Strategic Initiatives for Bank Wealth Management Departments, 2019



SOURCE: Cerulli Associates

The top strategic objective of your peer Private Bank and Trust executives identified in a poll in 2019 conducted by Cerulli Associates was to "Gain efficiencies through greater technology adoption". Anecdotally we find that advisors typically use only 10-20% of the capabilities of their technology applications. We believe this is often the case when firms attempt to utilize a single one-size-fits-all solution that simply doesn't support the actual processes that take place, or it is evidence of outdated, legacy technology that hasn't kept up with the way businesses operate and divide up work.

The Unique Challenges and Opportunities of Wealth Management within Banks

Industry-wide, banks have penetrated less than 15% of their retail and commercial bank clients with wealth management solutions.¹ We see three key drivers of this:

- Cumbersome systems and processes that limit the time of wealth management advisors from developing and growing business
- Substandard or "me-too" investment advisory solutions that aren't sufficiently differentiated to wrest clients away from their existing wealth managers
- Lack of digital, lower minimum solutions that retail clients can access rather than taking their investment needs to third party organizations

Vestmark believes part of the solution to these challenges is to reframe the target from simply a portfolio management-centric view to an advice- and planning-centric view. This reframing will help determine and deploy a better flow from prospecting to planning to client engagement to advice implementation and reporting. Then, with that as a blueprint, firms can select the best tools for the job and integrate seamlessly with both proprietary tools as well as third party tools and back office providers to optimize the platform solution.

¹ Wealth Consulting Partners, LLC

Platform Technology Designed for the Portfolio Construction Flexibility You Need

While most banks have effectively developed common portfolio construction models and guidelines, we find that most do not have the tools to accommodate the flexibility required and the varying inputs of intellectual capital. As the chart to the right depicts, while there are strong elements of centralized best thinking encompassing Investment/Trust Committees, CIO and OCIO models, there are also inputs from Investment Officers, clients themselves – especially on the institutional side – and, increasingly, third party managers as banks continue to embrace open architecture approaches to a greater degree.

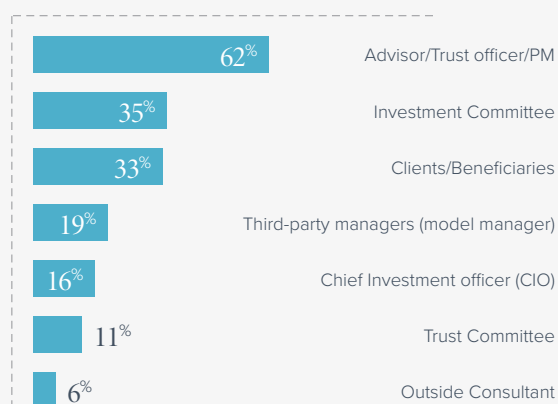
In many cases this may involve incorporating multiple points of investment and/or trading discretion; for example, as shown in the graphic below, the ability to accommodate multiple discretionary parties managing parts of a single custodial account:

A flexible platform supporting these variations is critical to future-proofing an investment platform so that whatever client goals dictate, anything your solution roadmap calls for, and whatever needs might arise through an acquisition, you can extend and configure your platform rather than outgrowing it and needing to convert.

Who decides how assets are invested/allocated?

In the private banking and trust environment, there are often multiple parties with decision-making responsibility for portions of client portfolios. Without the right technology tools to facilitate, this can often mean multiple accounts and manual workflows.

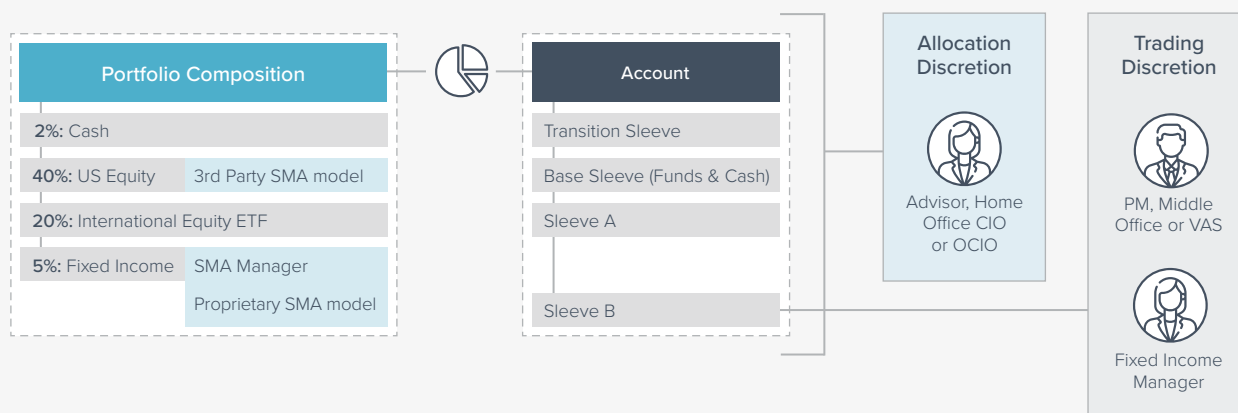
Private Bank & Trust Advisors: Portfolio Construction Decision Makers, 2018



SOURCE: Cerulli Associates, in partnership with the investments & Wealth Institute (formerly IMCA) and the Financial Planning Association® (FPA®)

Enabling Multiple Parties to Manage Portfolios in a Single Account

The best solution for the client might call for multiple parties managing assets within a single account. The right technology platform can enable this seamlessly through the use of discretionary sleeves.



There are many constituencies to consider and current and future business strategy to keep at the forefront, and of course, you must keep the need to maintain client satisfaction and outcomes as your north star in any decision-making. We have provided a sample checklist that may serve as a starting point for you to build this out to suit your own organization as you sort through your options and path forward:

Technology Modernization Assessment

- | | |
|--|--|
| <ul style="list-style-type: none"><input type="checkbox"/> Are you managing portfolios account-by-account in a world of households?<input type="checkbox"/> Are you operating in an account-centric world or a client-centric one?<input type="checkbox"/> Are your advisors forced to open multiple accounts to create a single client-oriented portfolio solution?<input type="checkbox"/> Are you still using archaic tools that are part of your accounting book of records system?<input type="checkbox"/> Do systems limitations prevent you from managing portfolios based on where you want to access intellectual property<ul style="list-style-type: none">• E.g., proprietary fixed income management, third party equity strategies, some of which you may want to trade and others you want to delegate trading?<input type="checkbox"/> In an era of portfolio management commoditization, are you able to scalably customize portfolios based on client goals, tax management, ESG, etc.?<input type="checkbox"/> As you move towards goals-based financial planning, are you able to seamlessly and dynamically implement portfolios across the household goals? | <ul style="list-style-type: none"><input type="checkbox"/> As you engage clients digitally and both improve client satisfaction and operational efficiency, does your portfolio management system allow you to easily stand up a sophisticated digital advice solution that is seamlessly integrated into a consistent experience across all of your advisory programs?<input type="checkbox"/> In the effort to create common client experiences and operational efficiency, are you able to leverage a common, custody-agnostic platform that extends and configures to trust, RIA, and brokerage lines of business?<input type="checkbox"/> Are you able to embed investment policy rules and risk management controls in support of your compliance needs?<input type="checkbox"/> Are you paying for capabilities that are part of your provider's offerings that you either don't use or don't want to use?<input type="checkbox"/> Does your platform provider offer robust outsourcing services and support to help you streamline operations and allow your team to focus on value-add activities?<input type="checkbox"/> Do you feel like your technology is able to grow with you as you continue to evolve your solutions over time? |
|--|--|

If these considerations resonate and you are interested in modernizing your platform and truly being able to deliver the customization your clients desire and the scale your business demands, let us show you how Vestmark has solved these challenges for other leading wealth managers.

Find out how Vestmark can help you modernize and scale your wealth management business without compromise.

Call (781) 224-3640 or visit www.vestmark.com.



Founded in 2001, Vestmark is a leading provider of portfolio management/trading solutions and outsourced services for financial institutions and their advisors, enabling them to efficiently manage customized client portfolios through an innovative technology platform. Supporting over \$1.5 trillion in assets and 5.5 million accounts, Vestmark is a partner to some of the largest and most respected wealth management firms.



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