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Technology helping advisers cater to the masses — profitably

Software can create target asset allocations, re-balance portfolios every two to four months

By **Liz Skinner**
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Financial advisers are finding efficient and cheaper methods of serving mass-affluent clients, often incorporating technology solutions that take the place of custom analysis and planning.

Karen Ramsey, founder of **Ramsey & Associates Inc.**, spent the past five years building a software and technology platform that is now essential to making RamseyInvesting.com cheap enough for small investors, but still profitable for her advisory firm.

Ms. Ramsey, an adviser for 23 years who hails from a Colorado farming family, said she sought a business model for the average investor because she disliked having to reject clients with less money to invest as she became more successful, and raised her fees and minimum investments.

“If someone has a couple hundred thousand dollars, that's really important to them and if they make a mistake, it can make dire, circumstantial changes to their lives,” said Ms. Ramsey, whose core advisory business manages about $170 million in client assets.

RamseyInvesting.com clients submit answers to questions online and the firm's software program automatically creates a target asset allocation, including recommendations to sell certain existing mutual fund assets if the new allocation would overweight the client in a particular stock or sector. The software also re-balances the client's portfolio every two to four months.

Ms. Ramsey speaks to the new client over the phone after they answer the survey questions. She explains the allocation and makes sure that they are comfortable with the asset mix before investing.

These clients are charged 1% of assets, or $1,000 a year, whichever is greater, and their money is invested in similar mutual funds as her retainer clients, she said. With $4 million in assets so far, most RamseyInvesting.com clients invest about $175,000 to $200,000, she said.

“Technology makes this possible. I couldn't do this without the programming software that we've created and the Internet,” Ms. Ramsey said. “I couldn't do it all manually and have it be a viable business model.”

Similarly, adviser Tom Karsten said technology helps his firm take on clients with as little as $10,000 to invest and still offer many of the same family office-type services that it provides those who invest millions with Karsten Advisors LP. The firm manages about $250 million in client assets.

His firm uses software that generates simple investment models and financial plans for clients who have less than $1 million and collects a 2% fee on up to $100,000 in assets, as opposed to 1.5% on assets between $100,000 and $1 million. Accounts with more than $1 million are charged 1%, Mr. Karsten said.

Mr. Karsten's practice also provides tax services, so the business earns about $500 a year doing taxes for these smaller investors and uses tax time to review portfolios with clients, he said. Junior advisers handle these lower-account clients.

“We've really been able to harness technology for clients under $1 million,” Mr. Karsten said.

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Liz Skinner covers practice management for *InvestmentNews* and wants to hear any tips or innovative approaches that have helped advisers improve their businesses.