

WHITEPAPER

Choosing a TAMP



How to Pick the Right One for Your Advisory Business

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Introduction

The word “**turnkey**” means something much different to today’s **turnkey asset management providers (TAMPS)** than it did when the phrase originated in the mid-1990s.

While plenty of TAMPs still focus on providing outsourced investment management to financial advisors, the real competition today is to build a comprehensive wealth management platform that checks every box for broker-dealers and registered investment advisors.

According to Fidelity research, advisors who outsource investment management are reporting higher growth and AUM than those who don’t¹. Additionally, with the evolution of technology, the emergence of robo advisors, and more transparency into the investment process, many industry experts agree that the traditional in-house investment offerings of advisors are rapidly becoming commoditized.

As a result, advisors need to find new ways to differentiate their service offering by working with institutional-caliber money managers in an efficient process, supported by the latest technology so that they can continue to add value to clients. Basic asset allocation and buy and hold approaches are no longer

a sustainable long-term model for advisors anymore, forcing firms to seek out more sophisticated and comprehensive offerings.

Thus, the industry has seen the rapid growth of the TAMP offering, however, there has been much consolidation in the TAMP space and the market is evolving, which is creating complexity in choice for advisors. Advisors looking to grow, compete, and succeed can find many potential benefits by working with a TAMP, but what considerations should they factor into their decision? Which one should they choose? What is the best choice for their clients, staff, and business?

There are several key factors advisors should consider in this important decision. Areas such as investment philosophy, investment choices, service levels, technology offerings, pricing, value added programs, company culture, and more.

Accordingly, this guide will discuss the trends in the TAMP space, outline the considerations for choosing the right TAMP, and the benefits of outsourcing this key service offering to take their business to the next level.

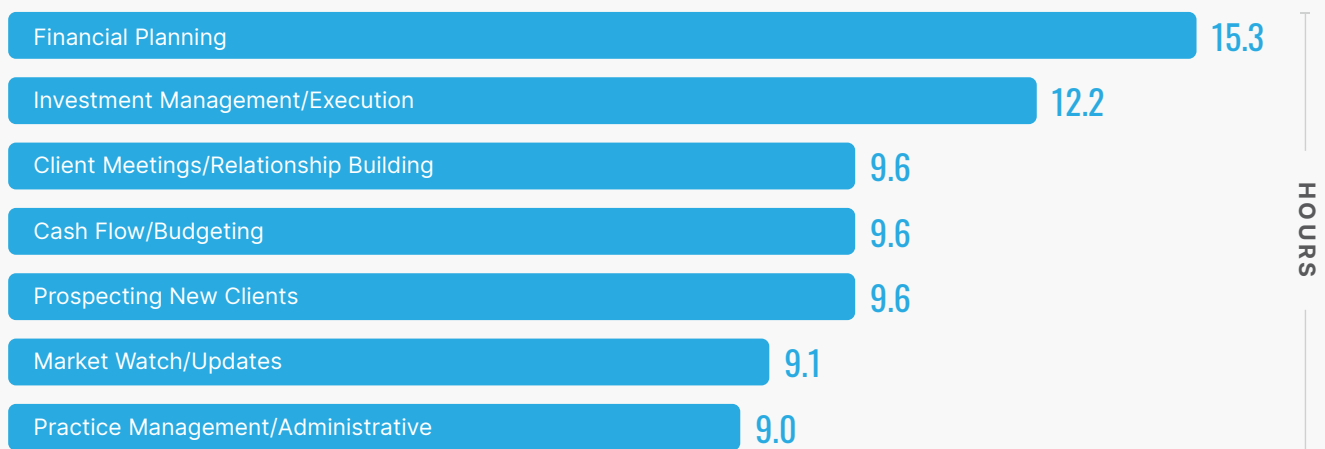
¹ Fidelity Investments, Financial Advisor Community Outsourcing Study, 2021.

Industry Trends

The number of advisory firms embracing TAMP operations has now reached critical mass. According to industry analysts, \$3 trillion in client assets run on TAMP platforms today, eclipsing traditional in-house portfolio construction AUM².

Now more than ever, advisors are pressed for time, and they are being limited by capacity. Advisors using TAMPs have better economics, and increased capacity and scale for growth. Outsourcing enables advisors to have more time to service clients, offer best of breed investment management, gain operational cost savings efficiency, and a competitive advantage over other firms.

Where Advisors are Spending Their Time



Source: Orion Research, July 2021. Orion's Research Initiative.

As a result, research shows that **ninety-five percent of advisors** who outsource management of their client portfolios say that it saves them time. The same study found that on average, the time savings is **11 hours per week** across a variety of activities, including financial planning, client relationship management, and prospecting.³

TAMP platforms have enjoyed such popularity because they offer clients a sophisticated outsourced solution that makes clients' lives easier. A TAMP platform can be involved in running virtually all aspects of a client's investment management and back-office support functions. This relieves advisors of responsibilities such as investment research, manager due diligence, portfolio construction, rebalancing, reconciliation, performance, and tax reporting — as well as billing and revenue management.

² WealthAdvisor, America's Best TAMPS, 2022.

³ Fidelity Investments, Financial Advisor Community Investment Decision-Making Study, 2021

Factors to Consider

Because there are several leading TAMP providers in the industry, and there has been much consolidation, innovation, and growth now more than ever, advisors need a game plan and decision matrix to best choose their partners.

There are several factors to consider when selecting the right TAMP for your business, including:

1 Investment Philosophy, Process, and Performance

With the variability of TAMPs in the industry, there are many strategic approaches to investing:

- Are they passive, active, or tactical?
- Do they favor funds over separate accounts?
- Do they focus on ETFs, individual securities, or do they provide a wide menu for all of the above?
- Do they have a defined and easily articulated process? Do they stand behind their performance?

These are all questions to ask your potential TAMP partner to make the best choice for your approach, preferences, and the types of clients you work with.

2 Due Diligence

One of the biggest benefits of leveraging a TAMP in your business is the availability of multiple professionals on staff and corresponding systems to ensure that their investment lineup has been vetted and is monitored. Conducting due diligence on managers and investment products is a key factor in ensuring that your fiduciary requirements are met. Access to pre-vetted investment options can also save you valuable time and resources, which can be applied to other areas of your business.

3 Broker-Dealer, Custodian, and Platform Integrations

While most TAMPs are multi-custodian and work with most broker-dealers, not all of them do. Accordingly, this is a key question to research to find out if they work with your B/D, custodian, or other platform, to understand if they are available directly to you or if you have to go through a B/D or custodian to access them. There can be additional fees charged, whether they are available direct or through a third-party, so this is also another important consideration to factor into your decision.

4 Technology Stack

One of the biggest benefits advisors gain from working with a TAMP is the ability to leverage the technology they provide, so you don't have to select, pay for, and manage your own investing tech stack. Additionally, some TAMPs offer third-party tools such as CRM, Financial Planning, Risk Analysis, Proposal Generation, and more as part of their TAMP bundle. Some TAMPs have gone to great lengths to integrate these tools together, and depending on fees charged, advisors can gain tremendous operational efficiencies and cost savings.



5 Technology Ease of Use

Not all technology platforms are the same — some are easier to use than others, which has a significant impact on adoption with staff, and the ability to achieve operational efficiencies. Accordingly, ensure that the provided interface is intuitive, easy to navigate, and minimizes data entry. Daily workflows such as trading, running reports, and service requests should be easy to manage and navigate.

6 Service and Support

Across the TAMP industry, this is the aspect that varies the most. Some TAMPs just provide a level of support and service for the investing and trading components, while others provide a very robust offering. Areas such as client onboarding, client service, investment specialists, and proposal generation can be powerful benefits, helping you to close business and manage relationships efficiently and effectively. Combined with the available technology, ample service support can increase capacity, scale, and growth.

7 All-In Client Costs

Another key aspect to consider is the TAMP pricing, combined with your fees, that make the “all-in” cost for your clients. Some advisors just layer their fees on top of the TAMP fee and charge it all to the client. Some advisors recognize that some of the costs they would have incurred are being subsidized by the services and technology of the TAMP and blend their fees accordingly. Like most things in this world, you get what you pay for. Some TAMPs provide more components, technology, and services which equate to higher fees, while others are basic, providing less, for lower fees. Thus, in a more challenging environment, finding a competitive price point that provides profitability is a big consideration.

8 Value Added Programs

Running an efficient, profitable, and scalable business is a top priority of all advisors, and there are many best practices, tools, resources, and business management programs in the industry that TAMPs make available. Some TAMPs host large conferences for top advisors to network for ideas and learn the latest trends, while others provide business coaching, marketing, and practice management programs, and most offer up some form of technology tools for free or at discounted rates. As you look at your business needs, understanding what is available can affect your decision.

Benefits of Outsourcing to a TAMP

TAMPs come with several advantages and advisors who view an outsourced provider as an extension of their practice can devote more time toward deepening existing client relationships and prospecting. Working with a TAMP could also save advisors money since they would not have to make what could be a substantial investment to set up an in-house management team.



Find More Time

Free up valuable front and back-office resources that can be applied to managing client relationships and increasing productivity.



Manage Growth

Access an efficient scalable platform and infrastructure to complete investment management activities and increase AUM without adding additional staff.



Enhance Client Experience

Provide clients with an engaging digital experience to access reporting, progress towards goals, and review overall performance.



Expand Client Base

Choose from a comprehensive list of investing options that work with a range of client types, including HNW clients who seek more sophisticated solutions.



Streamline Daily Workflows

Enhance productivity through the combination of efficient technology and a service and support team.



Enhance Profitability

Outsource costly activities related to portfolio construction, billing, proposal generation, reporting, and more.

Oakeson Steiner

Oakeson Steiner (OS) was established 25 years ago as a broker-dealer contractor representative and experienced success — however, in the last decade, the principals knew they needed to evolve away from transactions and into advice in order to stay relevant and profitable. Their traditional mutual fund wrap approach from their mega-broker-dealer wasn't efficient for the firm or clients, calling for a need to enhance their investment offering. As part of that strategic decision process, OS was considering becoming an RIA or joining an existing RIA.

A key aspect of this decision was to evaluate the pros, cons, and costs of acquiring and building the tech stack needed to operate as an RIA and managing portfolios directly (with all of the performance reporting, portfolio management, rebalancing, and staff that goes with it).

As OS conducted its due diligence, they reviewed the access to numerous, quality, researched managers, investment options, and technology provided by Orion Portfolio Solutions to determine if it would meet their needs to customize and tailor offerings to their vast and diverse client base. "One size does not fit all and we have 1,500 clients so we needed a broad offering to tailor to our clients," Josh Yost, Managing Partner at Oakeson Steiner recalled.

According to Yost, "We wanted to be in the client relationship business, not the money management business. Our vision was to become a better financial planning firm, and we could only do that if we worked with an investment and technology partner."

"Human capital is a very expensive thing," said Yost. "As we examined our choices, that was a very critical aspect of our decision." Accordingly, when OS selected Orion Portfolio Solutions as their TAMP, they immediately gained leverage. "We went from 3 service people in the back office to 1 at the time, and now that we have grown the firm to north of \$850 million in AUM, we are back to 3."

“

Many advisors think of TAMPs for small accounts — we disagree, we think they are fantastic for large accounts. We even have some as large as \$4 million with Orion Portfolio Solutions. If I lost my entire back-office staff tomorrow, I firmly believe that we would not miss a beat.

– **Josh Yost**, Managing Partner at Oakeson Steiner

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ADVISOR PROFILE

Garrison Financial

Garrison Financial was founded by Ryan Garrison in 2012, as an offshoot of his structured settlements annuity business. Oftentimes, his clients would receive large sums of money from various legal settlements and ask him about a broader set of financial and investing questions, leading him to establish a wealth management operation to meet their needs.

"I basically started my investment management business from zero," said Garrison. "However, I knew that in order to be successful and profitable, I needed a partner I could outsource to for efficiencies, scale, and growth."

As part of that search, Garrison selected Orion Portfolio Solutions for access to a custodian, technology, and investment options. "As a small firm, it was very difficult to find anyone that would work with me at zero assets, so I really appreciated the opportunity to work with the people at Orion Portfolio Solutions, who helped me get up and running quickly."

Orion Portfolio Solutions provided Garrison a "paperless" process to onboard new clients through its many integrations. "Operational efficiencies are critical as a startup because you are not going to get the million-dollar clients right away — that takes time. With Orion Portfolio Solutions, I was able to profitably onboard \$100,000 clients, run them through a risk tolerance analysis, and establish the account all from a link in an email."


As Garrison has grown his firm, he appreciates the many sophisticated investing options provided by Orion Portfolio Solutions. "If I'm in a competitive situation with a larger firm staffed with CFAs and CFPs, I can access sophisticated separate account managers who can do tax loss harvesting, more tactical investing approaches, and who provide an institutional feel that really helps to close business."

Going forward, Garrison is looking to acquire additional books of business from retiring advisors as a growth strategy that he believes he can integrate easily into his practice. "Instead of staffing up to handle the additional volumes, **I know I can rely on Orion Portfolio Solutions to streamline the process.** Not only in that aspect, but also in their service offering. They really care about my business, get it right and that provides me a great peace of mind that **I'm working with the right partner.**"



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