

Case Study:

Toth Financial



At A Glance

- Founded: 1986
- Headquarters: Leesburg, Va.
- Website: www.tothfinancial.com
- Services Offered: Long-Term Financial Planning & Wealth/Investment Management
- RAUM: Approximately \$460 Million, as of February 1, 2017
- Clients: About 450 High-Net-Worth Individuals, Families, & Businesses
- Staff: 8 Portfolio Managers/Advisors, 5 Client Service Associates
- Primary Custodian: Charles Schwab & Co.
- Portfolio Management/Reporting: Advisor View™
- Portfolio Rebalancing: Advisor Rebalancing®
- CRM: Advisor CRM®

Toth Financial: A Case Study in Positioning Your Practice to Glide Through Regulatory Audits & Other Challenging Situations

Who knew hot sauce could add flavor to a boutique registered investment adviser (RIA) firm’s wealth management technology platform?

As Chief Technology Officer and Portfolio Manager at Leesburg, Va.-based Toth Financial Advisory Corp. (Toth Financial), Tom Toth Jr. created proprietary trading software and a basic CRM for the firm, which his father founded in 1986 after retiring from the U.S. Marine Corps. However, two years ago, he decided to follow his dream, turning his passion for making hot sauce into a business.

Other team members had been pushing to upgrade the firm’s proprietary software with an integrated, next-generation technology suite—and the younger Mr. Toth’s hot sauce venture made upgrading the RIA firm’s technology a top priority.

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“Tom Jr. did a great job on both the money management and technology sides of our business, but we wanted to transition away from his proprietary program because there was a lot of risk in having one person knowing all the ins and outs of how it worked,” recalls Ken Bowen, Chief Operating Officer and Portfolio Manager at Toth Financial. “Before he moved on, we wanted to make sure we could make the transition from his technology to a next-generation solution with the scalability to support us going forward.”

No ‘Highway to the Danger Zone’ Where Technology is Concerned

The implementation of a fully integrated wealth management technology suite wouldn’t be an easy task for Toth Financial. The firm would have to transfer more than 30 years of transactional data, going back to its very first client. Toth Financial also didn’t utilize a dedicated client relationship management (CRM) system, relying instead on Microsoft Outlook to manage relationships.

Fortunately, the Toth Financial team wasn't scared by the idea of adopting new technology.

President and CEO Tom Toth Sr. served as a pilot in the Marine Corps, retiring as a Lieutenant Colonel in 1983. Mr. Bowen retired from the U.S. Navy as a Captain in 2013, having spent 27 years as a Navy pilot. Their

experience flying sophisticated and expensive pieces of technology helped them and their colleagues appreciate the importance of state-of-the-art technology to business success. Their shared technical background also enabled them to understand what modern wealth management technology platforms could help their firm achieve.

"We knew where technology was today, we have an idea of where technology is going to be in five years, and we have an expectation of where technology will be in 25 years," says Mr. Bowen. "Based on what technology could do for us today, and how we expected it to evolve, we put some guidelines in place to establish what we were trying to do."

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The Toth Financial team had six main objectives in mind at the start of their search for an integrated technology solution:

1. To generate automation, which would improve the efficiency of client reporting and the accuracy of client data.
2. To enhance cybersecurity.
3. To improve customer service and engagement.
4. To make overall document management more efficient.
5. To offer mobile access.
6. To be able to seamlessly process data queries at the corporate level as well as from individual portfolio managers.

With these requirements in mind, the team began shopping for a new technology solution.

Charting the Course

Before approaching vendors with the list of must-have capabilities, Mr. Toth, Mr. Bowen, and their colleagues—including Tom Bowman, Executive Vice President and Portfolio Manager, and Brawn “Mitch” Sproul, Director and Vice President of Business Development—met with representatives from Charles Schwab & Co., the custodian for its accounts, at Toth Financial's headquarters. During their discussion about the features offered by modern wealth management technology suites, the Schwab representatives recommended that Toth Financial's platform should include a CRM system which is integrated with a portfolio management and reporting application. The Schwab consultants explained that without a CRM program, Toth Financial would miss out on the opportunity to enable every member of its staff to deliver a personalized client experience.

They determined that the three Advisor Xi components, working together as part of a unified platform, would best be able to meet the six technology objectives they set.

Armed with this insight, and the objectives they established earlier, the Toth Financial team began the process of vetting potential technology vendors in mid-2015. After reviewing each vendor’s product, the team would ask for a list of clients that used the offering, and arrange meetings with those clients.

During this time, Envestnet | Tamarac’s name emerged while team members were chatting with an aviator friend of theirs—who also runs a competing RIA firm in the Washington, D.C., metropolitan area—in Toth Financial’s headquarters. Their friend had transitioned to Tamarac’s Advisor® Xi wealth management technology platform just 24 months prior to the meeting, and gave them a demonstration of the suite right there.

“**We decided to buy the entire Advisor Xi suite because we needed to update the entire apparatus we had.**”

“We were far down the decision tree when Tamarac popped up,” Mr. Bowen recalls. “This young man came in and gave us a demonstration before we even talked to Tamarac, and we liked what we saw.”

Based on the demonstration, they determined that the three Advisor Xi components, working together as part of a unified platform, would best be able to meet the six technology objectives they set.

“We decided to buy the entire Advisor Xi suite because we needed to update the entire apparatus we had,” says Mr. Bowen. “Our calculations were based on the market. Our business was doing well, and we felt that if we didn’t make a full upgrade today, and then the market suddenly turned, we would have to skip an entire generation of technology to catch up.”

Never Pilot a Plane, or Wealth Management Technology, Without Proper Training

When Mr. Toth and Mr. Bowen were serving in the military, they became accustomed to flying planes with 20 to 30 pieces of equipment still in the testing process.

However, Mr. Bowen points out: “Sometimes, very minimal training would come with that. As a pilot, you get maybe 30 minutes of training on a particular piece of new equipment that costs the government millions of dollars, and if the switch doesn’t go off, it doesn’t go on [the plane] again—and a multi-million-dollar investment would be wasted on an asset because we didn’t know how to use it.”

Drawing on this lesson from Mr. Toth and Mr. Bowen’s military service, as well as the firm’s team approach to client service, Toth Financial leaders were determined to ensure every staff member received the training necessary to become truly proficient in using Advisor Xi. Tamarac understood their concern, and has provided extensive training during every step of the implementation process.

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Just before Toth Financial began implementing Advisor Xi’s Advisor View™ portfolio management, reporting, and client portal application in late 2015, the RIA firm sent several team members to Tamarac’s Seattle headquarters for Tamarac University (TamU) classroom-style training sessions. The TamU participants began training their colleagues upon their return to Virginia, and two months later, Tamarac representatives visited Toth Financial for additional on-site training to make sure every staff member understood how to use Advisor View before its implementation was complete.

“Our acceptance rate for the Tamarac software has been enormously high, and people are eager to use it because they understand it better and they know they have a support team they can rely on,” notes Mr. Bowen. “We remember our experiences piloting high-performance aircraft, so we didn’t want to put money into this software and not know how to use it.”

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The Tamarac delegation that conducted on-site Advisor View training at Toth Financial’s office included the Tamarac implementation consultants dedicated to ensuring a smooth transition for the firm, as well as members of the Tamarac support team that would take the reins at the conclusion of the implementation.

“We take a team approach to servicing our clients, so if even one person was having trouble with the software, it would have affected our client service. That’s why the in-person, one-on-one handoff was important—our implementation consultants, and the support team that took over, were all there to make sure every member of our staff was properly trained,” says Mr. Bowen. “We also wanted to make sure our team could begin to feel comfortable with the Tamarac support professionals who were taking over, and the relationship the two teams began to establish has been a key to our success with the software.”

Customization Began During Implementation

After Toth Financial officially engaged Tamarac, Mr. Toth, Mr. Bowen, Mr. Sproul, and Mr. Bowman sat down with the Tamarac implementation team to address concerns about whether or not Advisor Xi would be able to accommodate the RIA firm’s unique billing system. Toth Financial agrees on billing terms during each client’s annual review, and the terms remain in effect for the entire year, regardless of market developments.

“During the implementation of Advisor View, we had an incredible implementation consultant at Tamarac who understood what we wanted and she put a plan in place to solve it for us,” Mr. Bowen remembers. “She told us, ‘This platform can do it—we just have to figure out a way to do it.’ This symbolized the positive attitude that all of our implementation consultants had.”

Tamarac Comes to the Rescue

After Advisor View was up and running for Toth Financial in the late spring of 2016, the firm began working with Tamarac to implement the Advisor Rebalancing® application. However, the Advisor Rebalancing transition had to be suspended for a month due to an unexpected regulatory notice.

“**We received a notice that it was our time to go through a regulatory audit,” Mr. Bowen recalls. “But thanks to our new software from Tamarac, we were able to get the data they requested, and provide it in the format they wanted.**”

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They had a myriad of questions, but we were able to answer every single question with data, not anecdotes. We could not have gotten through the audit in the amount of time we did with our previous technology. Granted, we could have gotten through it, but we couldn't have completed it with the efficiency and precise accuracy we were able to provide through Tamarac."

Meeting Technology Goals (and Streamlining Their Practice)

After the implementations of Advisor View and Advisor Rebalancing were complete, the Toth Financial team began to experience first-hand the practice benefits of the objectives they established when they decided to upgrade the firm's technology.

The automation of reporting workflows facilitated by Advisor View enabled the firm's advisors to efficiently create accurate, and customized, client reports, which help strengthen client service and engagement. "With our previous portfolio management software, the reports weren't inaccurate, but we couldn't have a lot of color or graphic choices, and we didn't have a user interface like Advisor View has, where you can move graphics and tailor reports so they're more digestible for the clients."

The firm's former portfolio management and client reporting application also made it difficult to pull up-to-date data for reports, and didn't allow the team to quickly identify which accounts require attention. Advisor View's integrations with multiple custodians, though, automatically populate reports and account information with real-time data from custodial platforms. For example, the Toth Financial team used to have to manually update data regarding annuities in quarterly reports, but today, this information is automatically updated in Advisor View thanks to Tamarac's integration with ByAllAccounts, a third-party data aggregation service.

Advisor View enabled the firm's advisors to efficiently create accurate, and customized, client reports, which help strengthen client service and engagement.

Advisor View also gives Toth Financial's advisors the capability to view all client accounts with the click of a button, allowing them to see which accounts need more cash, and which ones have new securities that must be qualified.

The firm's leadership team estimates that Advisor View has helped reduce the amount of time they and their colleagues devote to reporting by more than half. Like the firm's billing process, Toth Financial also has a unique reporting schedule—each client has their own fiscal year. The firm used to need to devote two weeks in a given month to complete a group of quarterly or annual reports for clients on a specific fiscal-year calendar, but today, all reports required in a given month can be completed in just a few days.

In addition, Advisor Rebalancing has cut the time it takes Toth Financial's advisors to rebalance accounts every quarter. The firm's portfolio managers used to require two weeks to review and rebalance accounts on a quarterly basis, but now, they can rebalance all accounts for a given period in three to four days.

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Advisor Xi also met Toth Financial's second goal for its new technology—to enhance cybersecurity. The Toth Financial team stored client data on private servers in its office prior to implementing Advisor Xi, but today, Tamarac has shouldered the burden of protecting account information.

“We could see that Tamarac had layers of security in place that were centralized, and could scale as our assets under management grew,” says Mr. Bowen. “That’s why we felt comfortable moving all of our data to Tamarac.”

Putting It All Together

Toth Financial is in the process of implementing the third and final component of Advisor Xi, Advisor CRM[®], and when it is up and running later this year, the firm expects to be able to harness a single, integrated channel for managing client data, relationships, and accounts.

“What we hope to see is that our client data will be fully standardized and integrated across all three Advisor Xi applications, as well as our document management system [Laserfiche],” says Mr. Bowen. “We’ll have one place to go to manage our workflows, our data, and our account notes, and we’ll be able to link into authoritative documents with signatures on them.”

“**Think about it—in spite of a regulatory audit, we’ve been able to implement three new technology applications without missing a beat on client reporting and client events. This is why we have so much confidence in Tamarac.**”

The functional integration and operational efficiencies generated by Advisor Xi will enable Toth Financial to go forward into its fourth decade of providing personalized financial and investment advice to high-net-worth clients—while maintaining its current staffing levels.

“Once we get the system fully implemented, I think we’re going to be able to harvest more business with the same number of team members we already have,” says Mr. Bowen. “The personalized support and training we have received from Tamarac, like the personalized advice we provide our clients, has given us the foundation to achieve our goals and weather almost any situation. Think about it—in spite of a regulatory audit, we’ve been able to implement three new technology applications without missing a beat on client reporting and client events. This is why we have so much confidence in Tamarac.”

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Envestnet | Tamarac's web-based platform for independent RIAs, Advisor® Xi, deeply unifies portfolio management, modeling, rebalancing, trading, billing, and reporting with a client portal and enterprise-level client relationship management (CRM) system.

For more information about Envestnet | Tamarac's Advisor Xi, please visit www.envestnet.com/tamarac or follow [@TamaracInc](https://twitter.com/TamaracInc) (twitter.com/TamaracInc).