



## FOR IMMEDIATE RELEASE

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# Family Wealth Firms Want High-Tech Client Reporting

## Study Finds Firms are Frustrated as They Try to Improve Their Offerings, Meet Clients' Ever-Changing Needs

Wheaton, Ill., March 31 -- Family wealth firms seeking to upgrade the reports they provide to clients are encountering frustration in their efforts to install cutting-edge technology. That's one of the findings of The Family Wealth Alliance's *Inaugural Client Reporting Study*, which includes among its participants single- and multifamily offices as well as firms serving families as outsourced chief investment officers.

Four in 10 study participants say they are less than highly satisfied with their firm's client reporting. Multifamily offices express the greatest level of dissatisfaction and single-family offices the least. Roughly the same proportion of participants--four in 10--cite specific client-reporting improvements they want to make but have been unable. Why not? Typical barriers to upgrading include legacy technology systems that are costly to modernize, as well as the complexity of some enhancements such as after-tax reporting or delivery of client reports on mobile electronic devices.

"Comprehensive and fully automated client reporting has long been the Holy Grail of family wealth management," said Thomas R. Livergood, chief executive of The Family Wealth Alliance, a research and consulting firm based in Wheaton, Illinois. "Our study finds that making a choice among the shifting sands of vendor firms, myriad options, and disparate client demands is the challenge facing family wealth advisors today."

A total of 76 firms participated in the study, which was conducted in 2013. They include 45 multifamily offices, 18 firms offering External chief investment officer services to families, and 13 single-family offices. Participating firms have more than \$500 billion under advisement. Partial results of the study were previously reported. The new complete study from Alliance Research includes responses for all three groups of participants.

**Alliance Research** is supported by The Alliance's Partner Firms. Without these organizations, this groundbreaking research would not be possible. This particular study project it was underwritten by both Rothstein Kass and by Tristate Capital. The Alliance is honored by and truly grateful to these outstanding organizations who continue to demonstrate their commitment to education and research.

Client reporting represents a particularly challenging business issue for family wealth managers. To keep abreast of their clients' complex financial lives, they need comprehensive, integrated client information. Too often, executives at participating firms complained, that means cobbling together client data by hand. "We currently offer consolidated reports, but they are manually generated, as opposed to automated," said one participant.

A variety of factors have combined recently to sharpen the industry's focus on client reporting issues. On the demand side, the unbundling of wealth management services, particularly where ultra-wealthy clients are concerned, has increased the need to pull in data from disparate sources and present it in a consolidated fashion. In particular, the greater role now played by firms serving as External Chief Investment Officers to families and family offices has heightened demand for improved aggregation and reporting.

Of study participants, the External CIO firms were most likely to say reporting services were very important to their clients (94%) and that such importance has increased in the last two years or so (76%). A heavy majority of participants also agreed that it was very important for firms functioning as External CIOs to have information about all a client's holdings. Multifamily offices are most likely to call such access very important (98%), while External CIOs (82%) and single-family offices (69%) are less likely to consider it very important.

Increased complexity is also playing a role in demand for improved reporting services. New investment products such as complex derivatives and sophisticated hedge fund strategies make it more difficult to value and report on assets as of any particular point in time. Cutting-edge technological capabilities, such as the delivery of client information through Internet portals or via mobile electronic devices, are raising standards and expectations. More so than ever, high-tech reporting technology can be a powerful differentiator for wealth managers, particularly where younger clients are concerned. Yet the costs and risks of cutting-edge status are formidable.

The study found that reporting vendors are not well known. Participants were asked to name all the vendors they were aware of. A total of 43 vendors were mentioned, with just eight of them garnering three or more mentions. The vendors also don't appear to be well-regarded, based on anecdotal evidence from study participants. A common complaint is that vendors are unable to meet the totality of a firm's needs and cannot provide turnkey solutions.

A particular challenge in serving family wealth managers is their need for high-end reporting capabilities, including general ledger accounting, trust accounting, partnership accounting, tax reporting and financial statement generation. The most-offered high-end service was tax reporting, by 85% of single-family offices and 64% of multifamily offices, though only 29% of External CIOs provide it. Next in order of frequency were partnership accounting, financial statement generation, trust accounting, and general ledger accounting. Single-family offices are much more likely to offer high-end reporting services, and to experience much higher levels of client usage of such services, than are the other two groups.

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#### **About The Family Wealth Alliance:**

The Alliance is a connector of firms and families who share our core value, "We Place Families First." Known as an innovator, we chronicle, convene, and consult. Through **Alliance Research**, we chronicle the family wealth space and forecast important new trends. We convene through **Alliance Events**, providing invitation-only gatherings that are an experience like none other. **Alliance Consulting** is strategic, bespoke, and is the fastest growth area of our business today. The organization is based in Wheaton, Illinois USA. Details can be found on the firm's website: [www.FWAlliance.com](http://www.FWAlliance.com).

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