

# *Drowning* *in* Data

**Comprehensive portfolio management software throws a lifeline to investors overwhelmed by the task of tracking their assets.**

BY DANNA VOTH

**E**very day, Jon Silvan, CEO of the consulting firm Global Strategy Group, faithfully logs on to his computer to find out how his assets are performing.

He and his wife, Marnie, hold investments in 64 different places. Their burgeoning portfolio includes stocks at numerous brokerages, retirement funds, seven life and disability insurance policies and accounts for their children's education. From his New York base, Silvan watches more than 20 personal advisory relationships that deal with significant sums, which, under normal circumstances, would require visiting 20 websites and remembering as many passwords, then recording and compiling notes on each site.

To assist in this arduous task, Silvan uses a Web-based portfolio management software program called Living Bal-

ance Sheet, developed by Guardian Life Insurance Company of America. This system consolidates all of Silvan's personal financial data on a secure server that Guardian maintains. He accesses this server—and the portfolio management software it houses—using nothing more complex than the standard Web browser on his personal computer. "I love it," he says. "Having everything in one place is quite remarkable."

Affluent investors such as Silvan who need to stay abreast of their myriad investments often find themselves drowning in data. In a recent customer survey, Northern Trust found that for investors with assets ranging from \$100 million to more than \$1 billion, four of the top seven wealth-management challenges involved handling financial data and generating reports. Increasingly, these individuals are turning to software packages that can aggregate, analyze and report on their assets.

Some of these portfolio management technologies, or PMTs, are developed and sold by software companies, while others are designed in-house by financial services firms that

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offer them to their customers. Many of these systems are Web-based, which means users can access them anywhere they can connect to the Internet. The benefits of PMT software are obvious: ease of use, tremendous time savings and rapid reporting. Yet they also come with their own set of risks and difficulties. By consolidating their financial information, investors potentially make life easier for hackers who, should they penetrate a system's security, will find a trove of account numbers stored in one convenient location. Furthermore, the time required to set up one of these systems and input the required data is considerable—think tax season, without the levity.

But for many individuals and families, the benefits—specifically convenience—outweigh the risks and front-end hassles. “I find it very helpful, useful and satisfying to be able to go online 24 hours a day, 365 days a year, and see that this is how my stocks are doing, this is how much money I have, these are the details on all of those funds,” Silvan says.

*Data Aggregation:*

**FEEDING THE BEAST**

PMT software performs three basic, very useful functions: It gathers performance data from all accounts into a holistic portfolio view and consolidates this information in one file; it enables users to create reports from all of this data; and, finally, it performs analysis on the performance

of all invested assets—and on the managers who oversee them.

Of these three functions, data aggregation is the least alluring (but most critical) function—and the most labor-intensive. To collect data on liquid assets such as stocks, bonds and funds that are valued daily, PMT users establish a live feed, or an Internet connection, from their computers to all of the websites of financial institutions that hold their accounts. Throughout the day, as banks and brokerages update their websites, performance data travels through the live feed into the investor's PMT system. The values of life insurance, trusts and retirement plans, along with liabilities such as credit card and mortgage debt, also feed into the system this way.

Users must manually input appraisal data from other asset classes, such as real estate, vehicles, livestock and jewelry. Some PMT software allows users to choose among different valuation factors, such as cost or market value and various ranges of intervals when new appraisals are collected. As for alternative asset classes such as hedge funds and private equity, these investments require manipulation within a PMT system because they often rely on specialized pricing and valuation functions or even multicurrency capabilities. While most (if not all) PMT systems offer these features, users must set up these functions to accommodate the specifics of each investment.

PMT users must also input data

from all partnership interests, especially as they change over time and various partners acquire disparate levels of equity. Liability data, such as expense payments and due dates of bank loans, property mortgages and credit card debt and fees, usually enter the system via a live feed. Some software allows this feature to be activated by simply inputting login and password information for these accounts. The PMT then automatically retrieves relevant data from each creditor's website.

Finally, important hard-copy documents can be scanned into the system and stored. Copies of wills, trusts and even photographs of valuable objects can be kept in a virtual vault on the server that may be opened to trusted individuals. Michael Weisburger, a wealth manager in White Plains, N.Y., runs a fourth-generation business that recently became part of a publicly traded company. He monitors his investments with PMT software. “If I'm on the road, and I'm speaking to my accountant and my attorney and they need something in my vault, I can get it for them or tell them how to get it themselves.”

*Reporting and Analysis:*

**EASY STREET**

In addition to aggregating assets and liabilities, PMT software also performs portfolio analysis, along with historical and benchmark comparisons. Using live market data from sources such as

Morningstar, it can create benchmark comparisons to the S&P 500 and the Russell 2000, among others. Some systems analyze performance against set investor goals, and some can even measure a user's portfolio performance against other anonymous peers using the same system. Finally, when performance falls short of set goals, or the value of an account exceeds or falls beneath a certain limit, PMT systems can send email notices to both users and advisors.

This breed of software also offers an interesting feature that enables investors with multiple advisors to track and compare the performances of each

advisor. If, for instance, one advisor is not delivering an acceptable return over a given period of time, the system can quantify and provide analysis on the problem.

Steve Braverman, president of Fort Lee, N.J.-based financial services firm Harris myCFO, is a member of a multigenerational family office that uses a Web-based PMT system that his company makes available to its customers. The reporting function, Braverman says, serves the various needs of his family: "My father, who has multiple properties, doesn't want to see 200 custom reports. He wants to see one. But I like to see 192 of the reports

because I want a more granular analysis of the data."

### *Security Concerns:* **INVESTOR EMPTOR**

While these Web-based packages offer many conveniences, investors should be aware of their shortcomings before signing up. An individual can spend a month or longer uploading his financial information into a system—particularly when he has considerable alternative investments to value and enter manually. Some PMT providers, whether they are software companies or financial institutions, offer various levels of assistance in loading

## PORTFOLIO MANAGEMENT TECHNOLOGY PACKAGES

WHILE ALMOST ALL FINANCIAL SERVICES FIRMS now offer Web-based portals through which clients can perform various financial transactions, a few companies have taken this concept to the next level by offering fully developed suites of portfolio management tools. Alternatively, several software companies now offer comparable financial software packages that they host on dedicated company servers.

The following list is a sampling of a few of the portfolio management technologies available today to affluent individuals and family offices:

### **PCR INSIGHT**

Private Client Resources, a Wilton, Conn., company founded by two retired CEOs, offers PCR Insight, a Web-based platform that aggregates, reconciles and reports on personal wealth. PCR Insight collects data both electronically and manually, and then standardizes, reconciles and publishes it daily for users. The reports can compare performance analysis against investment

goals and industry benchmarks, as well as unidentified peers on the system. The platform is an information service only and does not provide advisors or investment products.

*Private Client Resources*

*pcrinsight.com*

*203.762.9006*

### **INVESTEDGE**

InvestEdge is a Web-based platform designed for wealth managers. The technology offers portfolio management functions such as data aggregation, performance measurement, investment reporting, trade automation, compliance monitoring, after-tax optimization and customer relationship management tools. The platform does not represent any particular advisory service or products.

*InvestEdge*

*investedge.com*

*800.830.1839*



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the data and setting up the live feeds. Weisburger points out that the hardest part is getting the data into the system the first time. He had someone assist him through the process of setting up the Living Balance Sheet system. “I brought in a box of statements and papers, and she sat with me and set up the whole thing,” he says. “Once an account is set up with a particular investment, as long as the logins don’t change and the security is there, you’re updated every day.”

Where the issue of security is concerned, many investors have grown increasingly comfortable using the Internet in various ways to manage their finances, and with keeping financial information stored on their personal computers. Weisburger appreciates the security functions of

the PMT system he uses—and also their limitations. “I accept that this is secure information and that’s a huge factor in my mind,” he says. “I also realize that the majority of this information is already accessible somewhere else in individual accounts on the Internet.”

That may be so, but by using a Web-based PMT system, investors are also placing sensitive financial information about such things as family valuables, wills, real estate holdings and other assets on a server that can be accessed via the Internet from all over the world. While most PMT providers implement the most advanced security standards, no server is completely safe from a determined hacker. Prospective PMT users must confirm that the system they choose employs best

practices standards for privacy and security, including user authentication, encryption of all Web communications and firewall protection. The system’s databases should also encrypt personal information and employ disaster recovery and offsite failure precautions.

For Weisburger, however, it comes down to the benefits of using a PMT system, which he believes outweighs the risks. “So much of the information that I am using I’ve already put in individual accounts that can be accessed on the Internet,” he says. I have taken the leap of faith that this is as secure, if not more secure, than any other system I use.” □

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## LIVING BALANCE SHEET

Guardian offers a Web-based platform, Living Balance Sheet, that can download financial data from 4,000 financial institutions to aggregate assets, liabilities and cash flow. The platform monitors stocks, bonds, insurance, mortgage, bank and credit

card accounts, making the information available in real time on a personalized, password-protected Web portal. Living Balance Sheet offers a digital vault for uploading and storing important documents, as well as audio files. This software package is

available to Guardian’s customers and to clients of customers.

*Guardian Life Insurance Company of America*  
*guardianlife.com*  
*212.598.8000*