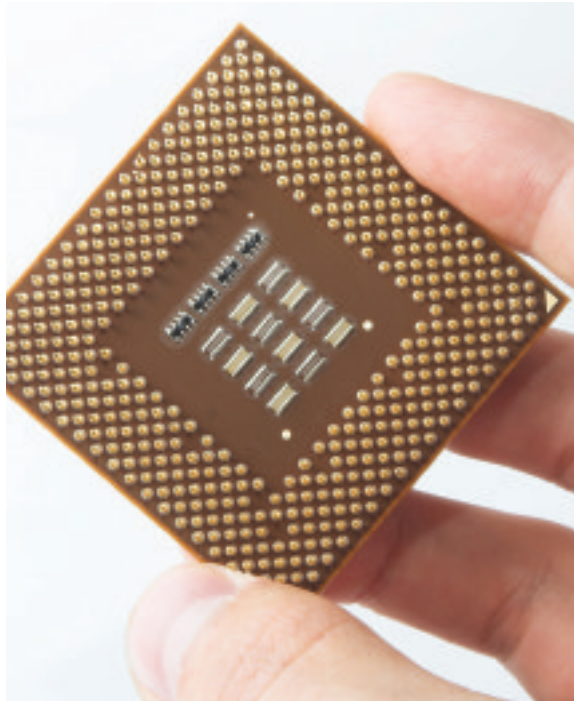


The Intel inside



Loosmore

Continuing his exclusive series for *Professional Adviser*, Mark Loosmore from technology consultancy AT8 Group analyses planning tools for advisers. Each week Mark selects tools currently available to UK IFAs and assesses their strengths and weaknesses. Our aim is to help advisers compare and contrast solutions so they can identify the tools that may be most suitable for their businesses. This week: who is powering the tools?



During the series of planning tools reviews that we have carried out over recent weeks, there has been no doubt in my mind that these tools are valuable and will help distributors move to the brave new world of the 'model adviser'. However, these tools do not come free of charge and in some cases have a reasonably chunky price tag. Therefore, it is unsurprising that in a recent survey by threesixty, the largest source of financial planning, asset allocation and portfolio management tools were not the tool providers themselves, but were the product providers and platforms that incorporate varying degrees of this functionality in their own technology offerings free of charge.

The product provider tools themselves are often built by

some of the leading financial planning technology companies. Some of the companies offer the standalone tools we have already reviewed, like Dynamic Planner and Morningstar, others are powered by some of the stochastic models from vendors like Barrie & Hibbert or Towers Perrin.

So, if it's free, does it matter to the end user whose 'engine is powering the tool'? Well potentially yes. The type of tools used will affect the risk assessment, portfolio construction and rebalancing for end customers, so it is important that the tools used have a credible stochastic model backing them up. In the same way when buying a PC, you get comfort from knowing it has the 'Intel Inside' badge, using provider tools backed by a reputable and proven financial model

can provide the adviser with the same feeling of comfort that their advice is founded on an acknowledged robust and trustworthy model.

So which engines are being used as the 'Intel inside' and can we rely on them? From our reviews so far, there are four key brands that are being used in this way.

A well kept secret

Barrie & Hibbert (B&H) are in many ways a well kept secret. Previously they marketed their own tool-set under the 'Decision Decisions' brand, but withdrew this brand in 2007 leaving many a little confused as to B&H's market proposition. In reality, they have simply separated their financial models and consultancy from their IT solution. They now play purely in the 'Intel Inside' space, focusing on their core strength – the robustness of their stochastic model and its application in the financial planning process.

On closer examination, what is surprising about B&H is their market penetration. B&H say that almost every major Insurance provider in the UK now uses them to assess their own risk exposure and to design their own products. Excitingly for B&H this success is now also being mirrored in the US and Europe where they have signed 15 of the top 20 insurance pro-

viders since they launched 18 months ago. The logical next step is for these providers to use the same financial models and market assumptions in the tools they provide via their extranets. Scottish Widows and Aviva are two companies that have adopted this approach. B&H no longer provide the full package including the user interface, but they partner instead with companies like Focus, FNZ and Capita to deliver their modelling capability should an end client require them.

Towers Perrin (TP) adopts a similar approach and whilst their client list may not be as exhaustive as that claimed by B&H, they are backed by one of the leading actuarial firms. This brings with it the rigour you might expect along with a corporate stability beyond the reach

of some of their rivals. Their client base is again impressive including the likes of Standard Life and they also partner with the major technology solution providers to provide a holistic solution. TP have avoided the legacy of potential conflict over having their own front end and have had greater success in working

with the technology vendors, including 1st Software, IntelliFlo and Focus.

Distribution Technology's **Dynamic Planner** is also powering a number of the major extranets and platforms,

including Cofunds and AEGON Scottish Equitable. Unlike B&H and TTP, Distribution Technology provides a complete solution including the front-end. Their approach will appeal to companies wanting to buy from a single vendor. In addition, the user interface look and feel is appealing and well liked in the industry. While their asset model may not be viewed by some as having the same proof points as their main rivals, it is used by many (including, we understand, the FSA).

Morningstar has a strong position in the investment space and is backed by the well thought of 'Ibbotson Model'. Morningstar provide a very comprehensive end-to-end solution for investment business and their tools can be found on several platforms including Cofunds and Transact.

Vision

As RDIP progresses, Financial Planning tools are likely to become more and more important to advisers. Many will invest in buying their own systems, but cost pressures or the fact there are not frequent users of such systems will cause some users to continue to rely on the facilities on Provider's extranets, Platforms or embedded in third party systems such as back-office solutions (which we will be reviewing over the coming weeks). Differentiating between these solutions will depend greatly on the vision of the companies owning the technology platforms, but do not underestimate the importance of a strong financial model behind these solutions – a building is only as strong as the foundations it is built upon.

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