

## FINTECHS PRODUCING CHEAPER, AUTOMATED FIRM VALUATIONS FOR ADVISERS

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Financial advisers looking to figure out what their businesses are worth today now have automated tools they can enlist for help.

Essentially they require the advisory firm to provide information about key financial parameters such as how much the business generates in revenue and expenses, as well as demographic data about clients and the firm's professionals. Algorithms then create a firm valuation and the tools use benchmarking data to show how they compare to similar businesses.

Truelytics is a subscription-based platform that asks advisers about 40 questions, including details about what technology a firm uses for different processes. For about \$100 a month, firms get a valuation scorecard based on business stability, client stability and market stability.

"The goal is to give advisers the tools to strengthen their businesses," said Terry Mullen, Truelytics' CEO.

Formal valuations tend to cost thousands of dollars and small advisory firms have been slow to seek out such business assessments. But with the number of registered investment advisers merging at an industry high, more are looking to track their worth.

Boston-based Truelytics, along with another valuation technology firm, 3XEquity, also offer advisers tips for how they can boost their firms' future value if they make certain changes. It shows advisers areas where they could improve, such as pointing out specific categories of expenses where they may be outspending competitors.

3XEquity, which costs about \$399 a year, allows advisers to adjust the tool's value assumptions so the firm can see the impact, for instance, if it no longer accepted 12b-1 fees, which is a possible scenario for some advisory firms under a new Labor Department fiduciary rule for retirement advice. This tool, created by financial adviser Jeffrey Crosby, offers three-year and five-year projections.

Truelytics' technology was originally developed by Gladstone Associates, a consulting firm that specializes in advisory firm sales and transactions. Gladstone focuses on working with advisory firms that have \$450 million or more in assets under management, while Truelytics is targeting smaller firms.

Traditional consultants who offer advisory firm valuations and other transaction services point to several weaknesses in the fintech tools.

Brad Bueermann, chief executive of FP Transitions, said he worries about advisers turning over their private company data about their clients, assets and pricing to a website.

"What would a financial adviser say to a client if they asked about using a blind website that asks for their personal financial data?" he said.

**Echelon Partners'** chief executive **Daniel Seivert** said answering questions online does not provide enough information to create a worthy valuation, which really requires a professional to "understand the surrounding circumstances or context."