

Serving the Entire Family is Where FAs Have Robos Beat

By [Thomas Coyle](#) August 9, 2017

Wealth industry experts say a growing recognition of the value of rigorous tax efficiency across household accounts gives traditional financial advisors a potential advantage over no-frills rivals. This article, the second part of a two-part series, looks at ways advisors use off-the-shelf and purpose-built technology to provide comprehensive advice for entire families.

Household wealth management — householding for short — is the proverbial double-edged sword.

On one hand it promises clients cutting-edge efficiencies and a way for advisors to underline their lasting value. But it's a multi-layered and difficult task, says **Laura Varas** of the Rye, N.Y.-based consultancy **Hearts & Wallets**.

Fortunately, Varas stresses, the help traditional FAs need to compete as tax-efficient household wealth managers is in view.

Varas means [LifeYield](#). The Boston-based software maker has been kicking around for nearly a decade, first as a tax-optimizer, now also as an aid to household wealth management.

“As far as I know, they’re the only ones doing it comprehensively,” says Varas, referring to the technological underpinnings of household wealth management.

Atlanta-based [SunTrust](#)’s wealth management unit was an early adopter of LifeYield tax-optimization tools. [Franklin Templeton](#) advisors have access to LifeYield as well. And, more intriguingly, in January [Morgan Stanley](#) mentioned LifeYield among other vendors fueling the wirehouse’s efforts to modernize its service platform.

Morgan Stanley has declined to elaborate on LifeYield’s new or impending contributions to its advisor tool set. LifeYield also demurred ahead of an official roll-out of its collaboration with the Wall Street giant.

The impending deal with Morgan Stanley may mark a turning point for LifeYield, but **Mark Hoffman**, the tech company's co-founder and CEO, admits uptake has been slow to date.

The reason? "The whole industry thinks in terms of single accounts," says Hoffman.

But — as competition from lower-priced online investment and rudimentary advice offerings intensifies — advisors who grapple with tax, drawdowns, fees and other household efficiencies can save their clients "several hundred basis points a year," Hoffman claims.

And they can distinguish themselves from rivals in the process.

This is especially pertinent to older clients, adds Hoffman, who mentions tax as potentially the greatest fixed expense new retirees who've set aside at least \$500,000 face in the run of a year.



Scott Bishop

LifeYield user **Tom Brandon** of **American Retirement Advisors** in Atlanta specializes in retirement income strategies. He says the software lets him "show a client how we can add a significant income boost during retirement and in many cases a meaningful reduction in taxes."

Adds Brandon: "The coordination of all accounts within a household for maximum income and minimum taxes down to the specific tax lot" is more than most families — even those that are extremely financially sophisticated — could ever handle. But using LifeYield means "we can provide this service and show that the right household decision does make a difference."

This granular and hyper-watchful approach to his clients' money also helps him "differentiate the value we bring" to each relationship, says Brandon, who, having recently sold about half his book, now manages nearly \$90 million.

But some advisors just as committed to householding — and to making themselves stand out — are content with the technology at hand.

Scott Bishop is head of financial planning at Houston-based **STA Wealth Management**, which manages about \$760 million. Using a suite of technologies that includes **Fidelity's eMoney Advisor**, he and his colleagues use a proprietary (and trademarked) process called Planning for Retirement the RITE Way — with RITE standing for “retirement income taxed efficiently.”

Capitol Financial Consultants in McLean, Va., uses **Naviplan's** cash-flow-based financial planning software to achieve household management.

“We look at all avenues for building wealth,” says **Joshua Stillman**, Capitol Financial Consultants president. In practice, he says this means looking for tax-planning opportunities and hurdles — “which may present themselves at any time” — while weighing things like Social Security strategies, approaches to estate planning, philanthropy and a whole litany of other factors touching on asset location, liquidity and drawdowns.

Capitol Financial Consultants, which managed \$96 million at the end of 2016 and charges clients on a retainer basis, uses Naviplan “to incorporate all these various factors into one model,” says Stillman. “We then test which combination of factors results in maximizing wealth in the long-term.”