

VIRTUAL VISIONARY

Malcolm Ross's family office uses online technology to bring parties together.

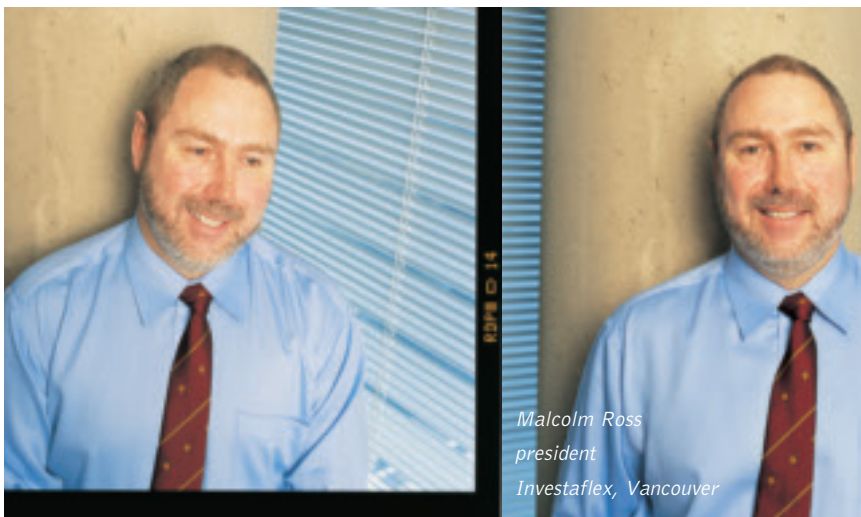
By Kate McCaffery

MALCOLM Ross, like many professional advisors, deals with business-owner clients. But Ross stands out as a true family futurist. Not only is he president of Vancouver-based Investaflex, he's also the mastermind behind the Financial Advisor Network (FAN) Family Office,

a virtual facility that clients can rent monthly to share information and ideas, integrate financial, tax and legal advice, and communicate changes and objectives to all related players.

Take the following real-life scenario: Ross has a business-owner client in his 70s who wants to maintain control over his finances for as long as possible. The owner's children have power of attorney over their father's affairs, but they live in different cities across the country. There's a lot at stake in the relationship, including business continuity and family harmony. And like any complex business, there are several professional advisors involved in this client's portfolio.

Until recently, using a central office to manage family businesses, investments, contacts and the mass of information generated by different businesses and financial advisors was a privilege reserved for ultra-high-net-worth families—think Rockefeller or Weston—and certainly, such access was not achieved via the Internet.



Malcolm Ross
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Photography by Robert Karpa

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Taking the concept to new heights, Ross's site allows live meetings between family members and advisors. It also provides a central filing cabinet to transfer documents between advisors who might be working on various planning initiatives, and allows family office participants to schedule meetings and events.

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Initially, the family of Ross's client hired an occupational therapist to monitor their father and help him retain the ability to manage his business for as long as possible. But to keep everyone in the loop, they turned to Ross and his FAN Family Office, and discovered a few of the many applications for the technology.

With Ross's brainchild, all parties could have access to reports filed by the occupational therapist, while he, the lawyers and the accountants could survey business succession and management succession plans. The interconnectivity of the virtual office and different levels of security and access also allows board members and family council members to provide input. Ross notes that even doctors and pharmacists have the ability to discuss a client's prescription history, for example.

The FAN Family Office is only a

small part of how Ross uses technology to integrate his services seamlessly into his clients' financial affairs. It's actually an extension of the FAN Program, a resource network of accountants, lawyers, consultants and financial management professionals. Additionally, there's the FAN Learning Centre that serves online course material and presentations so anyone, from family mem-

bers to the family accountants, can get up to speed on subjects such as change management, management styles and wealth transfer, before discussing business changes with a planner or business valuator. The courses also yield continuing education credits for accountants.

Ross says ultimately, the goal is better communication and creating a common language to help clients understand what they're being asked to make decisions about. "Life planning and legacy planning are continuous, evolving processes. If we do things on the basis of transactions, we are only going to be married to the client's requirements at singular points along the road," he says, adding that the process keeps all of the advisors in parallel form, and allows them optimal planning solutions that best reflect clients' immediate and long-term needs. "We're in the knowledge industry, not just the financial

services industry. Knowledge base is what will distinguish the advisor of the future."

Indeed, Ross appears to be on the leading edge of an evolutionary change that's happening within the industry. And, like him, more and more advisors are beginning to move away from transactional, sales-based advice models towards fee-for-service planning and one-stop shopping, where advisors try to provide legal, tax and investment advice—all under one roof.

OPEN INVITATION

A lot of advisory models like this, however, are only a few steps above the transactional advisory models, where sales targets are still key business motivators. Some of these advisors resist sending clients to other professionals for fear of losing them. They want to be the client's single, trusted source. Ross justifies his fee-for-service platform with his innovative technology. Moreover, he uses it to invite the family's advisors into the process. Asks Ross: "If there's someone who can add value to the client relationship, why shouldn't they be included?"

The approach recognizes no single advisor can be everything to every client. The result is a better flow of information, less posturing by professionals, more confidence on the part of clients, and fewer opportunities for misunderstandings. Having the different professionals provide oversight to the rest of the team in a common space also makes it easier to clarify jargon specific to the different professions.

Before the virtual office, Ross's clients frequently dealt with what he calls a "daisy chain" advisory model, whereby, for example, they would visit one

advisor and retain approximately 40% of what he said. Then they would run off to see a lawyer and tell him what they thought their accountant said the week prior. Explains Ross: “Then the lawyer says, ‘Actually I think this might be a better solution,’ because he hasn’t heard all of what the accountant said. Then the client will go off to see the banker who tells them, ‘You can’t do it that way!’ The key is to get all of those advisors sharing the same level of information, the same assumptions, the same goals and objectives, rather than starting with their own assumptions, wearing their own set of professional blinders.”

Ross finished beta-testing the system earlier this year and professionals are already using his FAN Family Office with their clients. And many of the clients are pleased with the results so far. John Nagy, partner at Reid Hurst Nagy, Certified General Accountants in Vancouver, says the office lets clients see more of the process accountants go through to create the final product, which ultimately gives them a better idea of what the firm is doing for them, as well as more information on which to base their value assessment.

“It’s an additional tool that’s definitely enhanced our ability to provide value to our clients,” Nagy notes. “A lot of times our services are difficult to value because it’s the end product clients see and that’s what they base the value on. By being able to look into the planning process at any time, it enhances what is considered to be the value we’re providing to them.”

Overall, Ross’s firm specializes in accounting, tax structuring, investment management, insurance and estate planning, particularly for family business owners. The managing general agency (MGA) earns revenue through fee-for-service financial planning arrangements and insurance sales. The Family Wealth Management Process and Financial Advisor Network Program are both recognized by major legal firms in the Greater Vancouver Area, and more than 350 accountants in B.C. have joined the network and completed related training sessions.

Lawyers such as Paul Lailey, partner and head of the tax group at Davis & Company in Vancouver, tout the benefits of having documents flow seamlessly from one advisor to another. “It helps to keep files moving along better,” he says. “There’s dialogue going back and forth and you have to respond to it. The file doesn’t just sit there while nobody’s working on it. I think it engages the client more too, because they get to see the different viewpoints being expressed by different professionals and they get to respond to that if they choose.”

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X-RAY VISION

In dealing with clients, Ross recognized most don't process reams of paper or analytical explanations, so he developed a structured diagram methodology that creates a picture of how different assets interact. For example, in a flow chart he might provide to clients, people are represented by circles, assets are rectangles, and family trusts are triangles. Different companies, sources of income, and contingent assets such as life insurance and disability insurance all have their own representational symbols so the family's wealth can be drawn out like an X-ray on one sheet of paper.

The program is also tied into the firm's proprietary illustration software and technical analysis tools so more analytically inclined clients can get a worksheet that breaks assets into four broad classes: tax-afflicted; tax-deferred; tax-preferred; and tax-exempt. The projection software then produces columns showing net cash flow after-tax, net distributable estate after-tax, and personal estate liability, which can then be compared against death benefits to see if there is sufficient liquidity to meet estate liability obligations.

"We find that 80% of clients are more visually oriented and only 20% are analytical. Those 80% that are visual can see the X-ray that shows their current structure. When we're making recommendations for changes we can put the two diagrams side by side, and they can see what the changes look like visually," explains Ross. "Technology for technology's sake is not something I believe in. Using technology to facilitate communications—to facilitate better understanding—is something that I *really* do believe in. The structured diagram methodology creates the communication framework. It starts right at the data-gathering exercise."

These technological developments are the end result of more than 20 years in the financial services industry, coupled with earlier experience in three-dimensional computer modelling and computer systems consulting.

The result is a program that is very nearly ahead of its time. "I think this will be quite revolutionary," says Lailey. "Everybody always talks about integrating all the different professionals and pays lip service to it, but this is the best attempt I've seen to actually deliver that." **AE**

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