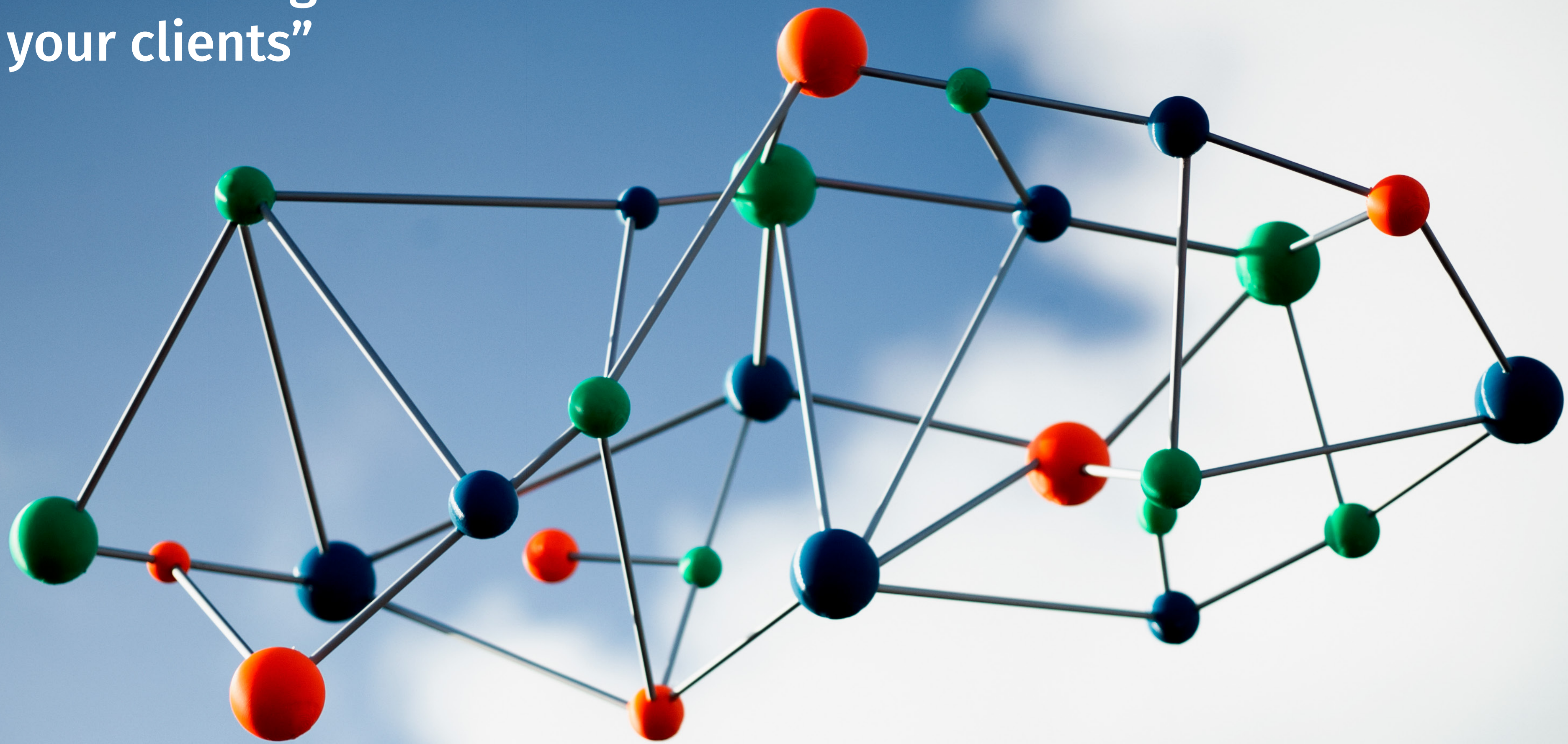
“Enable Goal-based planning and monitoring for 100% of your clients”



ORTEC FINANCE

Imagine you are an advisor with 300 clients and about $100 million in assets under management. Your client's portfolios range from $200,000 to just over $2.5 million and your business is growing. You believe in long term investing and that planning helps clients to meet specific goals, as this is how you provide the most value as an advisor. Currently, the only tool you have to help your clients set realistic goals and provide advice on how to achieve those goals, is a financial plan.

The challenge with financial planning

The process of developing a traditional financial plan can be time-consuming, as it requires a deep understanding of client cash flows, tax optimization and estate planning strategies. You face the challenge that your clients either receive a very detailed plan that requires much effort to prepare or do not receive one at all. Either way, the ultimate goal is to propose an investment portfolio that matches your client's goals and risk willingness.

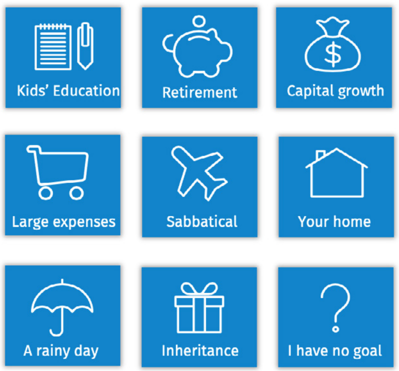
Moreover, most financial plans are static documents, which you can only review occasionally, as this is an inefficient and time-consuming process. On the flipside, you see the benefits of keeping track of the portfolio developments and re-evaluating whether it is still likely that your clients will achieve their goals.

Because of these challenges, it is, unfortunately, not feasible to provide planning for all your clients. One could even argue whether all your clients require a full financial plan at all points in time. So, how can you provide high quality, client-centric, and scalable planning solutions for 100% of your clients?

Lets break down the solution into three key parts.

Digital & goal-based planning
"How to guide clients to their financial goals"

The wealth management industry is currently in the process of actively developing capabilities to deliver planning through **digital** and **hybrid client journeys**. Clients can set their goals, their time horizon, the initial contribution, monthly deposits, and the level of risk they are comfortable with online. There are new tools that improve the client experience, such as online sandboxes, innovative risk profiling, and AI-assisted planning suggestions. With these capabilities, clients can go through the planning process online, but can always opt for additional support by the advisor, or an entirely advisor-supported plan.



Nowadays more advisors have digital planning tools available to deliver goal-based planning for the number of clients that do not have or need a full financial plan. You can now offer a goal-based plan to all of your clients and focus your financial planning capacity on clients that have complex requirements, such as tax planning for business owners, estate planning or budgeting, and life insurance for retail clients.

Portfolio advice

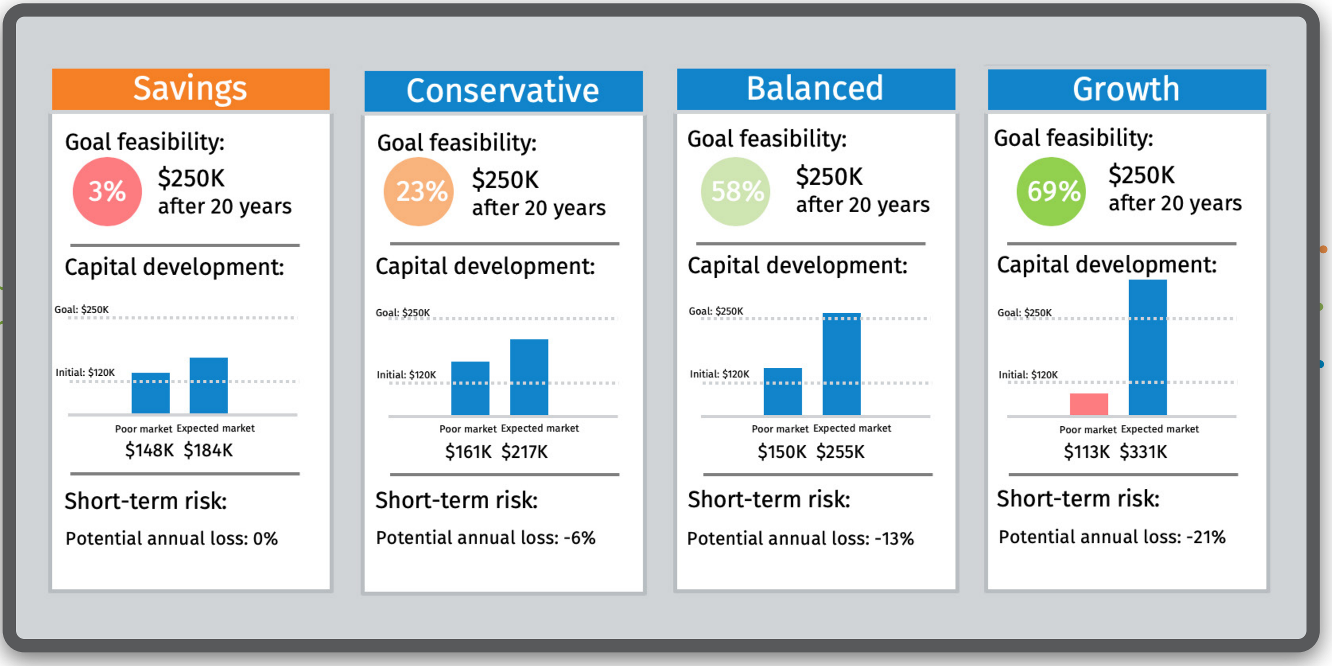
“How to choose a suitable investment portfolio?”

Once the ‘plan information’ is captured, you can construct the portfolio that meets the client’s risk appetite that has the best chance of reaching their long-term goal(s). However, increasing regulation in Europe requires that you have to state clearly, why a particular investment portfolio suits the goal(s) of a client. The key solution for this is scenario analysis.

Scenario analysis shows the probability of success in achieving goals based on realistic portfolio projections. Some planning tools already use scenario analysis through a Monte Carlo model. However, most of these modules are merely based on the historical performance of funds or asset classes.

For example, based on a 15-year historical window of European government bond returns, the assumption is a 3.5% annual return for the entire simulation, even though today’s yields are at all-time lows. This approach does not reflect the current market conditions and leads to unrealistic expectations of the portfolio.

Realistic projections require a dynamic modeling approach, just as weather forecasts require a more sophisticated approach rather than relying on historical daily temperatures. A dynamic approach takes into account current market conditions, seasonality, patterns in financial market behavior, and developments that are not captured by historical data, e.g. monetary policy. Such an approach improves the often applied straight-line return assumptions by enabling dynamic projections for multiple time horizons. You can now use **realistic projections** of the proposed portfolio to assess its **suitability** for the client.



Goal monitoring
“How to keep track of client’s goals?”

After the planning and portfolio advice process, goal monitoring is the ultimate tool to manage all clients in your books efficiently. Monitoring is the process of consistently re-evaluating the feasibility of client goals based on the variables that are subject to change – current portfolio value, time horizon, cash flows, target value, and recent portfolio projections. Monitoring is often the critical missing component of delivering planning to 100% of your clients. Without active monitoring, any plan will generally collect dust in a filing cabinet.

Planning is like setting a plane on ‘auto-pilot.’ It works well most of the time, but some settings would likely need adjustments in order to arrive at your destination safely. You will not know beforehand when an intervention is necessary. As a result, having a dashboard with information to signal problems is vital. Without a dashboard to inform about the current status, plans will become outdated and irrelevant due to altered situations of clients and markets. With goal monitoring, you can have a real-time overview of whether their clients are on or off track.

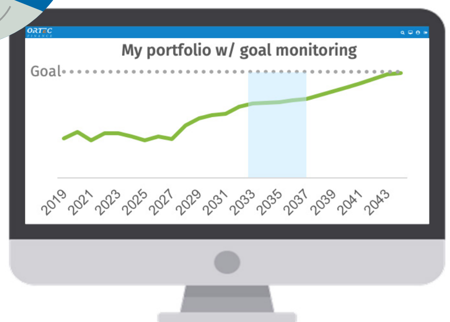
Over time, the portfolio may need multiple “course corrections” to **keep on track.** For instance, when off track, **using automated suggestions**, you can propose to make any one-off contributions, periodic deposits, or adjust the timeline. Monitoring goals also helps clients to remain calm in situations of a portfolio downturn. Even if the portfolio showed a negative return, the client’s portfolio would be likely to recover from the market correction. If they would overreact and sell, they lock in their loss and lose track of their planned goals. Moreover, if a portfolio outperforms its target, the advisor may propose to **reduce the risk** in the portfolio and navigate the portfolio safely towards the planned goals. To illustrate this, the figure below sketches two scenarios based on the same possible realization of financial markets.

No goal monitoring

“The proposed ‘Growth’ portfolio performed very well untill 2033, when it took a big hit following a recession”

Goal monitoring

“The recession didn’t have much impact. After a solid performance, my advisor converted my portfolio to ‘Low risk’ and even later into ‘Cash’.”

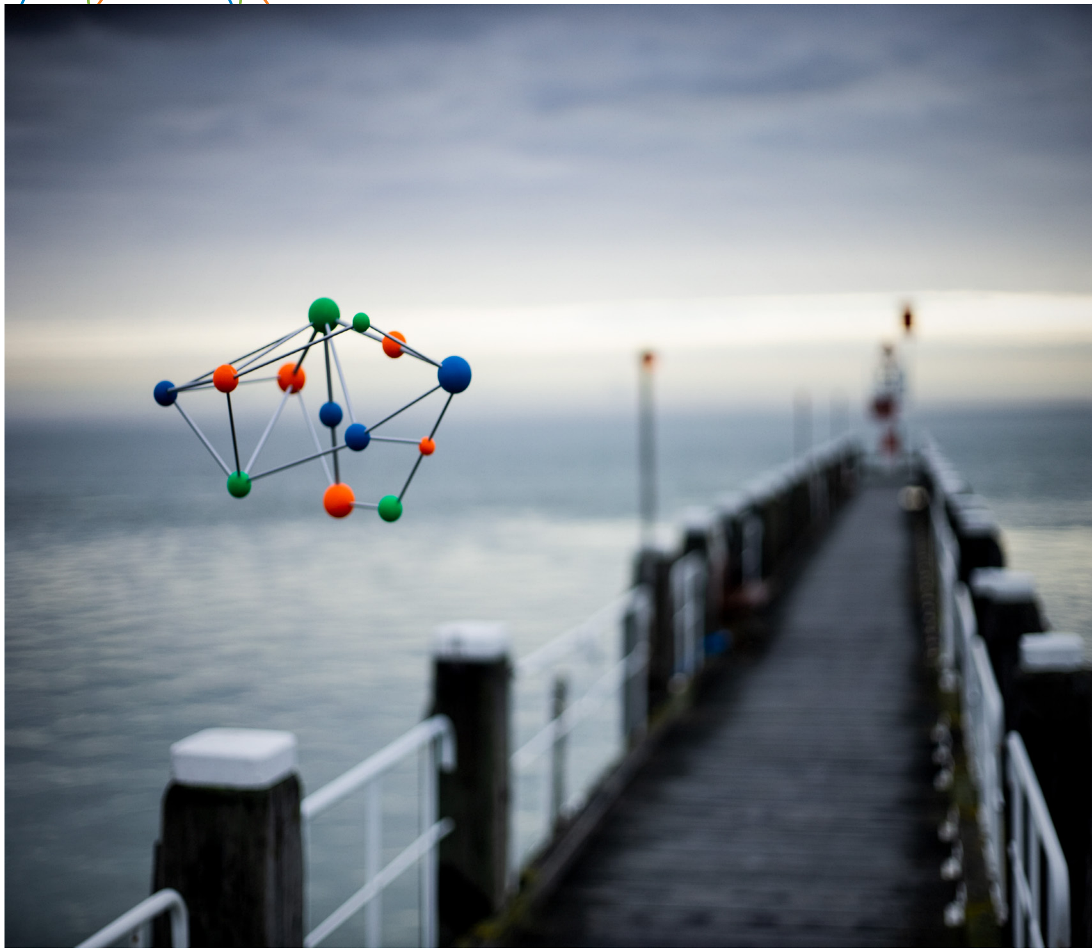


It’s about adding value to the client

Helping clients to plan for their financial goals adds value, increases client satisfaction, and as a result, client retention and revenue. For some clients, a traditional financial plan may be required, but in order to help all your clients, you need efficient and automated tools that facilitate accessible goal-based planning and portfolio advice. However, planning is just the start, as any plan can become outdated and even irrelevant when circumstances change. As clients demand more value for the fees that you charge, being able to monitor your client’s goals and signal timely ‘course corrections’ is the ultimate means to show your added value as an advisor.

About Ortec Finance

Ortec Finance is the leading provider of technology and solutions for risk and return management. It is our purpose to enable people to manage the complexity of investment decisions. We leverage our institutional investment risk management expertise by using top-notch economic scenario projections as the core of the solution. This enables financial institutions to translate personal goals of their clients into an optimal plan and monitor these goals over time. Actions of the proposed portfolio to assess its suitability for the client.



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