Infront

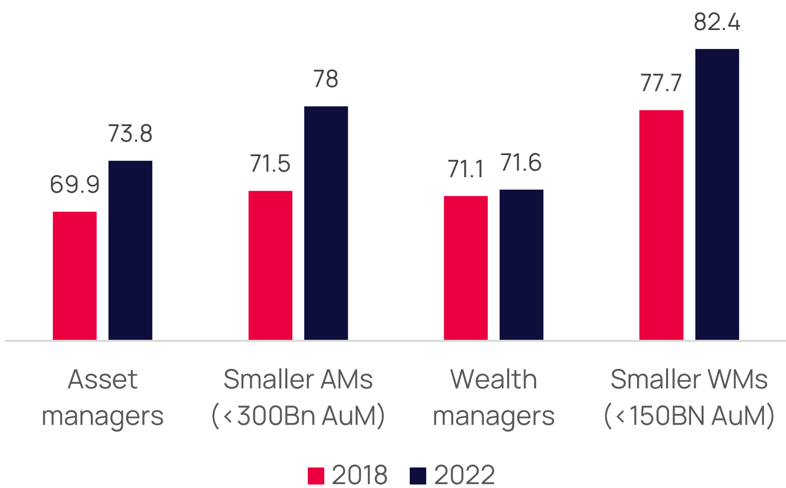
Reducing Complexity and Inefficiency in Wealth Management

A Guide to Driving Business Value in an Era of Systems Overload

Introduction

While market returns have been robust in recent years, wealth managers' margins have been squeezed by several factors.

Cost-Income Ratio, European and North American WMs & AMs (%)[1]



1.Boston Consulting Group, Scalable Tech and Operations in Wealth and Asset Management (2023)
2. European Commission, Study on the Costs of Compliance for the Financial Sector (2020)

Competition, client demands, talent costs, compliance costs and increasing costs of data and exchange fees all contribute. Factors largely outside the control of any financial firm.

But for firms looking to boost profitability, there is one factor they can influence: business complexity.

Increasing complexity of operations and resulting inefficiencies stem from many causes, in particular bloated technology stacks and inefficient compliance procedures. To make matters worse, inefficiency compounds other business challenges, creating a vicious cycle.

For example, an outdated portfolio management system negatively impacts the end-customer experience, adding to the costs of managing client relationships and reporting to regulatory authorities.

Or when handling regulatory demands, inefficient compliance processes can eat into profit margins. According to a European study, ongoing compliance costs average over 3.8% of operational costs for asset management firms[2]. And with DORA regulations coming into effect across Europe in 2025, this is only set to increase.

Does this sound familiar?

In this guide, we take you through five ways for wealth managers, family offices and private banks to tackle complexity, eliminate technical debt and drive efficiency across their operations.

These steps bring cost savings, minimise admin tasks or boost client satisfaction in the short term. And when implemented together, their impact can help build a futureproof, profitable business.

One-off Costs of Compliance With EU Regulation Among Asset Managers (Mean Average)

1.2M

Researching regulations

11.2M

Staff recruitment

328K

Staff training

4.2M

Consultancy fees

Source: See footnote 3

3. European Commission, Study on the Costs of Compliance for the Financial Sector (2020)

1. Address Legacy Systems

Many firms run systems for decades that can become a hurdle to efficiency and a barrier to change. The cost of these legacy systems is known as “technical debt”.

According to McKinsey, CIOs estimate that technical debt accounts for between 20 and 40% of the value of their entire technology estate[4].

Of course, some of the older systems maintained by firms in the financial sector are still integral parts of their tech stack, and the risk or costs of change can be too great.

But there are many practical ways these legacy systems add costs for firms. Take the costs of compliance highlighted in the introduction. Checking a new client meets regulatory requirements is now a complex task, and without modern software can be tedious for the client and time-consuming for employees.

The costs?

- Talent costs – Repetitive onboarding tasks that could be automated can take over 20 hours per client in total
- Training costs – Resources required to train multiple employees on processes and regulations
- Human error – Higher risk of data entry mistakes or incomplete documentation
- Lost conversions – Friction in the onboarding process can even cause potential clients to drop out

4. McKinsey, Breaking technical debt’s vicious cycle to modernize your business (2023)

Value Driver or Diluter?

The question to ask is, does a system add or dilute value? Is its complexity necessary, or is it technical debt?

While the answer might prompt fears of costly projects and lengthy lead times, this doesn't necessarily have to be the case.

It depends what technology you implement, who you choose to implement it and what sort of contract you agree with a vendor.

In the rest of this guide, we'll explain some of the hidden wins and efficiency gains that are possible for many wealth management firms and private banks, that don't have to carry a huge price tag.

2. Streamline Data Integration

Data is the lifeblood of effective wealth management. From building your customer profile to guiding investment decisions – it all depends on the flow of data within systems.

But when financial data is coming from multiple sources, inefficiencies creep in.

Costs rise and decision-making slows down.

The solution? A single provider for both software and data. This integration ensures seamless data flow across systems, minimising the need for multiple contracts and reducing the risk of data discrepancies. Vendors also often offer attractive terms for combining multiple solutions in one contract.

Let Data Flow

Since running an entire business on one system is probably unrealistic, APIs will play a crucial role. They allow seamless data flow between systems, breaking down silos and enhancing operational efficiency. Well-planned use of APIs reduces or eliminates the manual work of importing and storing data, improves data accuracy and enhances scalability.

For financial firms, this means market data, reference data, ESG analysis, news, company data and more, delivered to the systems where you need to access it.

Firms should look at vendors who offer a full package – data and software working in harmony. Not only does this reduce administrative and maintenance burden, but it also means fewer errors, quicker insights and, ultimately, better service for clients.

3. Consolidate Services with Comprehensive Vendors

Firms often juggle multiple systems: research terminals, trading platforms, risk calculation tools and client portals, to name a few.

This trend is only increasing as demand for digitalisation increases across the sector.

Industry research shows that global spending on wealth management technology is expected to grow steadily at 4.5% per year on average through to 2028[5].

Each system requires its own integration, its own maintenance. The result? More complexity, higher costs and a disjointed experience for employees.

Added Value for Business and Clients

The answer lies in consolidation. By working with vendors that offer a suite of integrated services, wealth managers can simplify their tech stack considerably. Fewer systems means less time spent on training, less risk of error and more seamless operations.

And as with data, there are often cost savings to be found when procuring a bundle of services from one supplier.

There's another benefit too: consistency. With all tools coming from the same provider, the user experience is unified. Clients get a smoother, more professional service. Staff work more efficiently, using tools that speak the same language. It's a win-win, with reduced costs and improved service delivery.

5. Celent, Wealth Management IT Spending: What Technology Areas Will See the Strongest Growth (2024)

4. Choose Modular Systems

Every wealth management firm is unique. Different clients, different strategies, different needs. That's why one-size-fits-all solutions rarely work.

Wealth managers require a broad range of digital services. Portfolio management, CRM, end-client wealth portals, market data feeds, analytics, risk calculation, trading. A typical wealth manager will need several of these tools, but not necessarily all.

That's why firms need systems that are modular – allowing them to pick and choose only what they need.

This flexibility allows you to build a tailored tech stack that meets your specific requirements. But modular systems require effective integration.

Stay Lean, Stay Scalable

To achieve the same customised solution with multiple providers would require in-house technical expertise. That's why working with vendors who offer modular solutions and integration support is essential if you want to really drive down costs.

By partnering with the right vendor, you not only ensure seamless system integration but can also save on hiring additional technical staff. Vendors who provide full integration services can help you maintain a leaner team, reducing headcount costs while still delivering a customised, efficient system.

Moreover, modular systems make it easier to scale. As your business grows, you can add new components without overhauling the entire infrastructure, avoiding the disruption and expense of large-scale system changes. This adaptability makes modular systems a smart, cost-effective choice for firms aiming to stay competitive in a rapidly evolving industry.

5. Embrace the Cloud

Cloud computing is transforming finance, and so far it seems that larger institutions are leading the charge. Capgemini reports that 91% of banks and insurers have embarked on their cloud journey, reaping benefits like reduced costs, improved scalability and enhanced security[6].

These advantages aren't exclusive to big players. Smaller wealth management firms can – and should – take advantage of cloud solutions.

6. Capgemini, 91% of Banks and Insurers Have Initiated Their Cloud Journey, Yet Many Are Unable to Realize Full Business Value (2023)

Reducing Technical Burden

Moving to the cloud eliminates the need for costly on-premise infrastructure. No more dealing with servers, constant maintenance or hefty upfront costs. Instead, firms can scale resources up or down based on demand, paying only for what they use. This flexibility is especially valuable for smaller firms looking to stay agile.

Security is another critical advantage. Cloud providers offer state-of-the-art security measures, often beyond what smaller firms could achieve independently. With regular updates and robust protection, firms can ensure their clients' sensitive data remains secure, while freeing up internal resources to focus on growth.

Smaller firms might worry about the complexity of moving to the cloud. But with cloud-based portfolio management and other solutions becoming more widely available, the transition is easier than ever.

By choosing the right vendor, wealth managers can adopt cloud technologies that fit their specific needs, providing all the benefits without unnecessary complexity.

Conclusion

Complexity in wealth management isn't just visible in bloated systems and outdated processes. It lurks beneath the surface, driving up costs and slowing down operations – a reality well captured by the iceberg theory.

The visible costs of technology – licences, hardware, direct maintenance – are just the tip. Hidden below can be other costs: time-consuming manual processes, slow integrations and the opportunity cost of delayed decision-making.

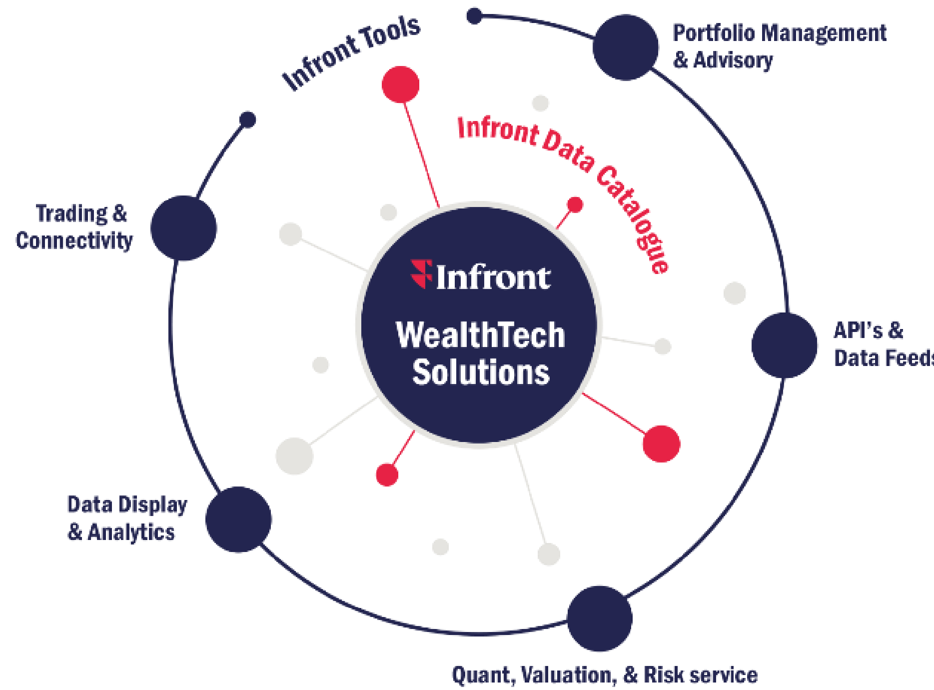
This guide shows that by addressing these inefficiencies, firms can unlock significant value. Tackling legacy systems reduces technical debt. Streamlining data integration and consolidating services simplifies operations, making firms more agile. Modular systems allow for tailored solutions without unnecessary spend. And embracing cloud solutions enhances flexibility, reduces costs and boosts security.

By implementing these steps, wealth managers can not only manage visible costs but also address the hidden ones, building a more efficient, profitable and future-proof operation.

Why Infront?

Infront offers Portfolio Management & Advisory solutions designed to simplify workflows for Independent Asset Managers, Family Offices and Banks.

And with our suite of WealthTech solutions offering everything you need from a white-labeled client portal to a comprehensive market data catalogue, we can ensure you are ready to meet the needs of today's demanding investors.



Talk to us

Case study: Consilior AG Streamlines Asset Management with Assetmax from Infront

Consilior

Learn more

Faced with the challenge of managing multiple custodian bank systems, Consilior AG, a Swiss asset management firm, adopted Infront Assetmax in 2018 to streamline their operations.

By consolidating processes onto a single platform, they significantly improved efficiency and reduced operational complexity.

Niklaus Arnosti, COO at Consilior AG, shares: "Our clients who work with several banks greatly appreciate that thanks to Assetmax from Infront, we can provide them with consolidated asset overviews, including non-bankable assets. Without the use of Assetmax, our central portfolio management would have had to cope with significantly higher costs."

Why Assetmax?

After evaluating several systems, Assetmax emerged as the best fit for its ability to meet Consilior's needs while enhancing efficiency. The platform allowed the firm to speed up workflows, eliminating the need to log into each custodian bank separately.

Results

- **Increased efficiency**: Centralised portfolio management simplified daily operations
- **Cost savings**: Up to 25% reduction in monthly costs by the second phase
- **Regulatory simplification**: Significantly easier licensing and audit processes, thanks to the analysis capabilities of Assetmax

About Infront

We are Europe’s leading provider of essential financial data and technology for wealth managers, brokers and traders, giving them the confidence and control they need to make smarter decisions faster.

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