

WealthTech Insights with Paul Gamble: Helping Financial Advisors Deliver Custom Investment Strategies at Scale



Helping Financial Advisors Deliver Custom Investment Strategies at Scale

WealthTech
Insights



Paul Gamble

CEO of 55ip

[Paul Gamble](#), CEO of 55ip

Paul Gamble, CEO of 55ip, has been in the field of financial technology for over 20 years. Before joining 55ip, Paul led Financial Engines' Institutional business, helping to grow it into the largest independent RIA in America. I spoke with Paul about the world of B2B WealthTech solutions and how they help advisors manage their businesses and serve their clients. He showed me the inner workings of the 55ip intelligence-driven approach.

WealthTech as an industry is geared towards applying technology to wealth management to deliver a better experience for advisors and their clients in a cost-effective way. In the case of 55ip, the better experience is delivered across all five stages of the investment management process:

- fund selection
- asset allocation
- portfolio construction/risk management
- tax management
- trading

Most investment-management platforms don't provide both intelligence and automation advisors across all these stages, which can be a pain when setting up new client portfolios and having to work with disparate technology platforms. Paul illuminated to me how 55ip supports advisors on every step of the investment process.

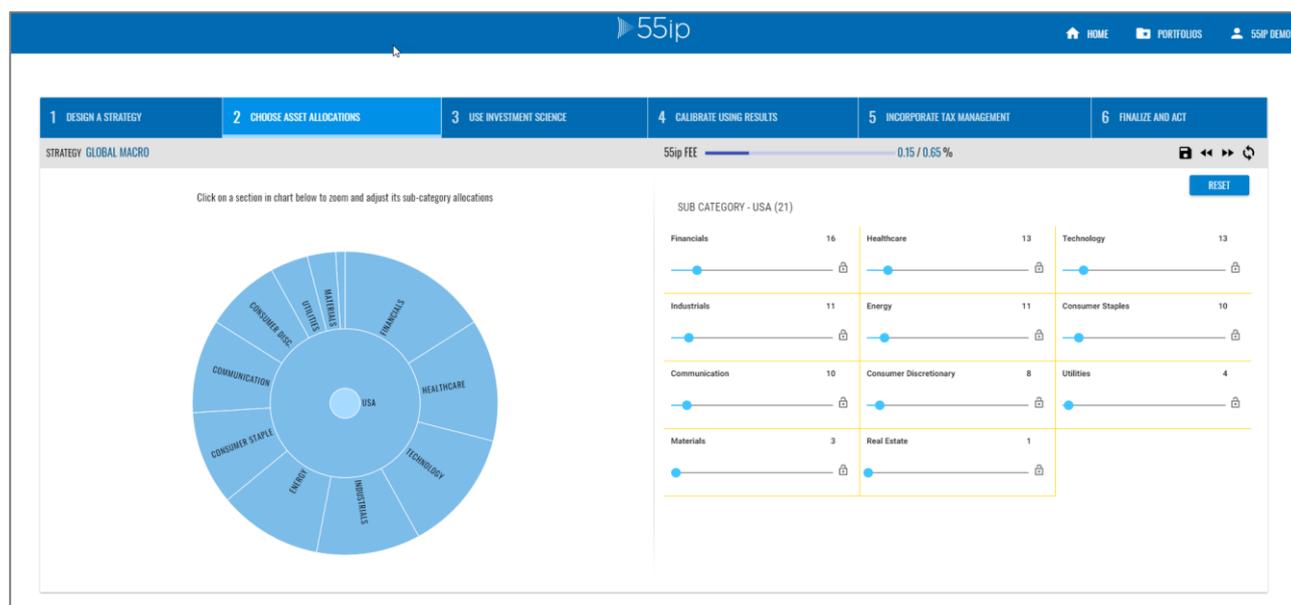
55ip does not provide its own investment strategies or models. Instead, they have crafted an investment strategy engine with deep financial knowledge that allows financial advisors to create their own branded strategies with the capabilities to reduce the top investment frictions that can erode wealth creation—fees, extreme losses and taxes.

Constructing a portfolio and allocating assets

Often, creating an intelligently allocated portfolio with the ability to rebalance and adjust for factors such as market volatility and tax aware investment management is difficult because of the multitude of factors advisors need to consider. With the explosion of products and complexity of building strategies, 55ip simplifies the portfolio construction process by offering starting points and building blocks, combined with real-time analytics to model potential allocations, risk thresholds and tax overlays. All of this can be customized at scale across clients which is critical for efficient growth. Advisors can start with their own home office models or with any combination of asset classes.

Paul showed me an example of a global equity portfolio with US, Developed and Emerging market exposure:

“Let's say the advisor or client has more of a US bias, they could increase US from 50 to 60%. With a click, they see their specific US exposures. They may have a reason to tilt towards or away from certain sectors. For example, maybe the advisor has a bunch of clients in Texas, so they want to offset energy holdings those clients might have outside of this. They can simply toggle the energy sector to zero in the portfolio and increase exposures to other sectors of the US market. The strategy would then be automatically optimized for that client's unique profile.”



Reducing Fees

Dynamically reducing fees while maintaining clients' risk exposure is another key component of 55ip's offering. The platform uses a fund-selection algorithm to identify the lowest-cost, most-liquid, best-fit exposure. In addition, 55ip can monitor and filter the list of funds depending on the custodian, whether it's Fidelity, TD Ameritrade, Schwab, or any other major custodian.

“If the advisor says, ‘No, I want you to use my whitelist of funds in order to create the portfolio,’ we can do that. For example, advisors can automatically optimize strategies for fi360 scores. If they want to override one of our default selections and put in an ETF or fund of their choice, they can do that. They can offload the fund selection to us or we'll make the meal with whatever ingredients they give us.”

Smart risk management

Taking an unexpected loss is bad enough, but not having the option of managing and reducing the likelihood of extreme losses is much different. Advisors and firms obviously try to help their clients avoid risk, but it can be difficult to actionably foresee such trends and protect assets without the help of quantitative research and monitoring.

55ip has created a suite of algorithms that advisors can overlay on any client portfolio. For example, advisors can choose to overlay quantitative factors, or such as trend, quality, safety, or value, with a click of a button.

Paul went on to say that advisors can leverage 55ip's proprietary algorithms to adjust for risk by moving some money from equities to cash or a cash equivalent. The algorithms can determine when to shift in or out of international exposure, including developed and emerging market diversification, in relation to select risk indicators. If the advisor or firm has strong opinions on any macro indicators, such as a desire to reduce their exposure to China, or if they want to put ESG on top of it, this can be easily accomplished in the platform.

“This allows the firm or advisor to incorporate their view on the strategy and the mechanisms that they want at the strategy level or the client level. We then give them real-time analytics on our testing and calibration platform for the advisor or firm to compare the strategy they just created for the appropriate benchmark and other potential strategies.”

Tax management best practices

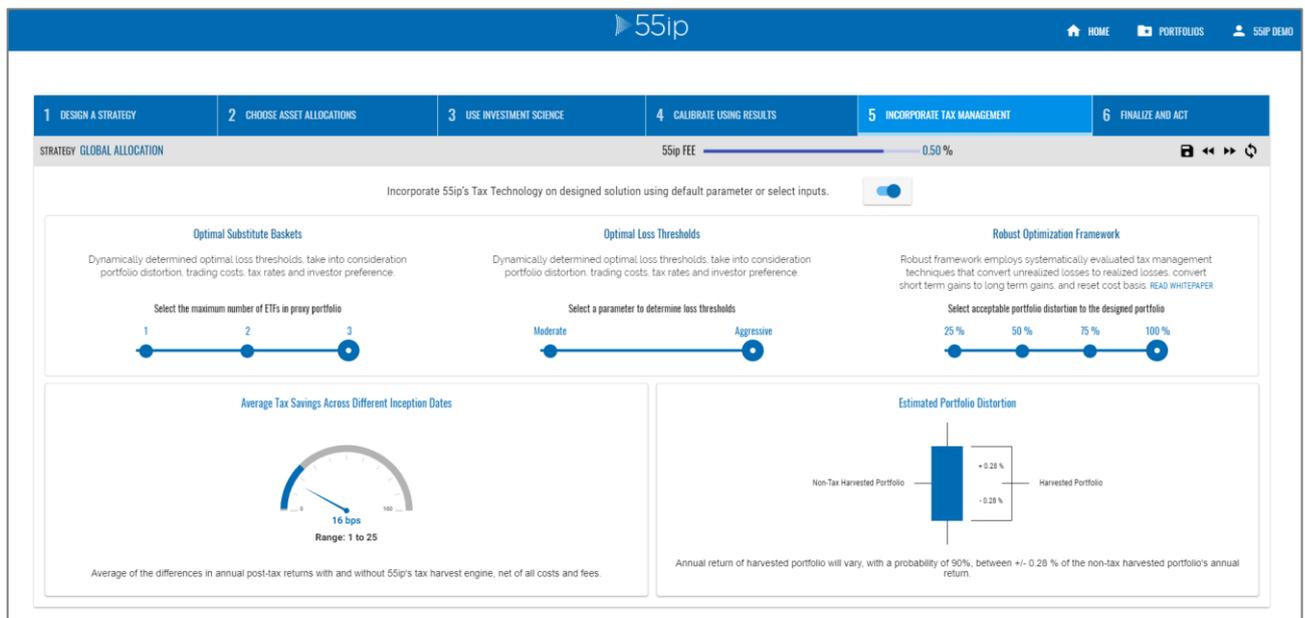
For most advisors, standard tax-loss harvesting is a manual, once-per-year affair with potential for error. An automated dynamic solution, such as 55ip's, solves for a lot of challenges at the individual client level, while enabling advisors to scale the benefits of tax management to an entire book of business.

55ip offers the following tax technology capabilities:

- automated tax-loss harvesting
- tax transition (how to migrate a client's current portfolio into a new strategy in a tax efficient manner)
- tax withdrawal (how to get money out of a taxable account within the client's tax budget)

Paul explained that across all types of portfolios, the 55ip platform automatically monitors and determines when to harvest, what to harvest, and how to harvest investment losses that may offset taxable investment gains. The machine-learning algorithm actively monitors every position for whether it meets the optimal loss threshold and should be harvested or held.

“We look at how deep the loss is, the volatility of the position, how much will it cost to harvest it, and how closely we can substitute that position. We basically say, ‘Harvest this or don't harvest this today.’ Then, if the decision is to harvest, we've got a machine-learning algorithm that creates a substitution basket of ETFs with the lowest possible tracking error, so we can harvest that position and keep the portfolio intact.”



Optimizing trading through tech

Trading is a science. Investors and advisors can have a hard time deciding on the best time to trade, as well as figuring out the risk factors and tax loss when they make trades. Following best practices, the 55ip platform monitors and generates trades on behalf of the advisor or delivers trade lists to the advisor for execution. According to Paul, they look at the target asset allocation combined with the risk-management algorithm(s) chosen during portfolio construction, and tax losses as applicable

“We have an automated trade generation and execution engine that does all of the trading together, so we're implementing the model as designed, while looking at most recent risk-management signals, as well as doing tax-loss harvesting monthly or based on the advisor's preferences

After applying tax-loss harvesting to the portfolio, an advisor can execute the trade with their custodians or 55ip can take over the monitoring and trading on that account.

Takeaways

Investment management is becoming commoditized. Advisors are under pressure to find new ways to add value to clients while also gaining efficiencies that free them to focus on growing client relationships. The job of WealthTech platforms is to provide capabilities that can deliver more advanced analytics, insights, and recommendations and/or automate those processes. Leveraging technology for investment management can deliver these benefits, enhancing the advisor's investment brand, helping to enhance potential long-term wealth creation while freeing up time for advisors to focus on holistic financial planning and client relationships. In this article, we looked at how 55ip helps advisors by combining intelligent quantitative capabilities with customization and automation through tech.



Written by Vasyi Soloshchuk, CEO and co-owner at [INSART](#), FinTech & Java engineering company. Vasyi is also the author of [WealthTech Club](#), which conducts research into Fortune and Startup Robo-advisor and Wealth Management companies in terms of the technology ecosystem.