

Investment Industry Starting to Push New Technologies

by Michael Sadowski

Many industries already are active with technologies such as video conferencing, social media or email lists.

But the investment industry has been slow to embrace technology, and independent investment brokerage houses are just now starting to come on board with technologies available to them.

"It's still a traditional industry," said Ralph Manna III, a senior portfolio administrator at Roof Advisory Group Inc. in Harrisburg. "We're handling money for a lot of people who are over 50 and, statistically, those would be the people who have the least experience with today's technology."

Roof Advisory, though, is trying to break out of the traditional mold to offer its clients more online and technologically upgraded options for their investment portfolios.

In October, industry magazine InvestmentNews named Roof as one of the 10 best independent investment firms for overall use of technology in the country. Roof also was named in the top 10 in the magazine's second category, human capital management. It was the only firm cited in both awards categories.

More than 400 firms nationwide vied for the distinction, according to the company.

Jeff Roof, Roof Advisory's president and founder, said embracing technology gives clients ways to connect with the firm — and with their money — that are most comfortable to them. The company also is starting to experiment in video conferencing because it has clients as far away as Arizona, but it says that could be convenient even for clients a few miles away.

About two-thirds of the company's 187 client relationships have signed up for secure, electronic information through an email list, when the industry standard is about one-third, Roof said. He credits Roof's higher numbers to increased efforts to personally explain to clients the benefits of an online approach.

The company manages about \$330 million in assets.

"We're really pushing all the tools we have at our disposal to our clients," said Manna, who handles operations and technology at the firm.

Charles Schwab, Roof Advisory's institutional custodian, also emphasizes electronic technology, according to Kevin Roof, Roof Advisory's chief operating officer and chief compliance officer. That includes electronic stock trading.

Tim Welsh, the founder of Nexus Strategy, a California technology consulting firm dedicated to the wealth management industry, said the relatively slow speed at which the industry has

embraced technology is due partly to regulations. It's especially true with smaller, independent firms such as Roof Advisory, he said.

When it comes to the social media side of technology, the Securities and Exchange Commission has begun disseminating some of the ways it can be used for investment firms. Under an SEC regulation written in 1940, financial advisers are barred from using testimonials in advertising. That becomes a murky subject area on Facebook with its "likes," and LinkedIn, whose version of a like is an "endorsement."

Both, Welsh said, can be construed as testimonials.

Welsh also said investment firms are required through federal regulations to include certain disclaimers on their advertisements — in particular, "Past performance does not guarantee future results."

"You're already getting close to 140 characters, and you haven't said anything yet," he said about posting on Twitter. "The SEC has written some new guidelines — that's why you see some firms starting to embrace it. But there are still investment firms that don't know if they want to use social media or are afraid of it."

It took until April for the SEC to rule that publicly traded companies can use social media to announce key information, so long as "investors have been alerted about which social media will be used to disseminate such information."

Mutual funds and investment companies must "seek review" of advertising materials from the Financial Industry Regulatory Authority, according to the SEC. But in March, the federal organization issued a guidance update for how those companies should seek review for material posted on their social media sites.

"(O)ut of an abundance of caution, many mutual funds and other investment companies may file materials on their social media sites with (the authority) unnecessarily," according to an SEC press release accompanying the guidance announcement. Roof Advisory has not entered the world of Facebook or Twitter but does have a [LinkedIn page](#).

The "overabundance of caution" is what keeps many from venturing into the world of new technology because of the "highly regulated industry," Welsh said, adding that it usually takes three to five years for a new technology to catch on in the industry.

"The industry is very risk averse," Welsh said. "As a whole, it moves very slowly. But we're starting to see a renaissance. We're starting to see (technology) on the fringes, and people are starting to embrace it."

The advantages — increased security, speed and efficiency — outweigh the possible drawbacks, Jeff Roof said.

"Force-feeding technology is not in any way, shape or form beneficial to our clients," he said. "But we work with our clients early on to let them know what is out there. It's all about finding what technology fits best for them."