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## Tech cuts costs, lowers client fees for Houston financial advice firm



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After 30 years of brewing new ways to automate and streamline back office functions like trading and accounting — especially in recent years — the wealth management business is paying off for clients and firms both, said Brian Merrill, a Houston financial adviser at Tanglewood.



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Reporter- *Houston Business Journal*

*Editor's note: this article was clarified on July 15 from an earlier version.*

Advances in technology — especially those related to data processing — have fueled the rise of a new breed of independent financial advisory firms, [as I reported last week](#).

But after 30 years of brewing new ways to automate and streamline back-office functions like trading and accounting — especially in recent years — the wealth management business is paying off for both firms and clients, said [Brian Merrill](#), a Houston financial adviser at Tanglewood Wealth Management.

“In the 1980s, we had a staff of five to manage \$20 million in assets,” Merrill said. “Today, we have 12 people, and we manage (nearly) \$800 million in assets. We’re able to spend a lot more time with clients.”

Tanglewood earlier this year decided it was saving enough money on costs that it reduced its client fee structures, Merrill added.

It didn’t happen overnight. Tanglewood’s smallest wealth management clients — those with about \$2 million with the firm — are paying half of what they were in the 1990s, Merrill said. Clients in the \$10 million to \$12 million range are paying about a third of the fees compared to the ‘90s, he said.

I thought it might be useful to highlight one wealth management firm in Houston to illustrate some more specific technology advances that I didn’t write about in my previous story. Merrill gave me four examples of recent advances that he says have bolstered the firm’s efficiencies.

- On the report side, the firm uses software that organizes and mails reports to clients with “amazingly little human interaction.” That’s sped up the waiting time that clients spent biting their nails while their financial reports were being churned out.
- In terms of trading, Tanglewood has developed some proprietary software that allows for more efficient trading. Say the firm wanted to make a trade for all of its clients: Back in the days of pen, paper and manually entering trades, that took at least 24 hours of labor. Now it takes 10, and the firm handles a much larger number of clients, Merrill said.
- The rise in portfolio management software — which began in the 1990s — drove the Houston firm to lower its client fee structures, both back in the 1990s and as recently as this year, he said.
- The firm has also invested in “the vault” — the secure back end of Tanglewood’s website, where clients can upload personal financial documents, such as their wills. Tanglewood’s advisers get email alerts whenever a client drops in a document, and clients get an email when advisers view the document — a sort of check that aims to keep the clients at ease. “We’re getting a lot more client adoption of ‘the vault,’” than the firm was two years ago when it installed the feature, he said.

In reporting my previous story on how technological advances have allowed more independent firms to emerge in the market, I found a few numbers that illustrate that point.

In 2009, independent investment advisers’ assets under management tripled to about \$1.7 trillion over a decade, according to Boston-based **Cerulli Associates**. Cerulli also reported assets under management in the financial advice business shifted down at big wirehouses, dropping at those larger firms from about 48 percent in 2007 to 41 percent in 2011.