

## In portfolio mgmt. software, one size does not fit all

by Donald Jay Korn

**W**hen it comes to choosing portfolio management software, the decision is as easy as A-B-C, but without the B. "Advent and Centerpiece have emerged as the leaders," says Mark Balasa, a CPA and financial planner in Schaumburg, Ill., referring to Axys, a program offered by Advent Software in San Francisco, and Centerpiece, a program from Performance Technologies, in Raleigh, N.C.

Balasa says that his firm is an Advent customer. "When we adopted our program, Advent was the only practical choice. If we were making the same decision today, the outcome might be different because Advent is so much more expensive: you might pay \$30,000 for Advent, while Centerpiece might cost only \$5,000 to \$7,000. However, once you saddle up with one of these programs, it's extremely difficult to unwind your historical database and go with another. I know some advisers who have tried to change and ultimately wound up going back to the original program."

According to Balasa, Centerpiece probably will be preferred by advisers with relatively small practices, but Advent's system may be more suitable for larger advisory firms, including institutions.

"Advent allows you to work with sophisticated mortgage-backed securities and multiple currencies," he says. "A lot of financial planners won't need that kind of capability."

Indeed, advisers such as Bernard Kiely, a CPA and financial planner in Morristown, N.J., have chosen Centerpiece. "When we started to manage clients' assets in 1993 we used Quicken," he says. "Soon we decided that was ridicu-

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lous — we couldn't really grow using that program."

How did Kiely decide which portfolio management software program would offer the necessary growth opportunity? "I'm a NAPFA member," he says, referring to the National Association of Professional Financial Advisors. "The organization has an Internet service that members can use for professional discussions. I learned that several NAPFA members had good experiences using Centerpiece, which seems to be aimed at smaller advisers. With about \$15

million in assets under management, our firm certainly fits into that category."

George Strickland, a CPA and financial planner in Houston, also opted for Centerpiece. "When I started to manage assets I looked at Advent but the price was off the board," he says, "so I chose Centerpiece. Since then, I have been extremely pleased. Besides being economical and simple to run, Centerpiece has improved every year. Perhaps Advent might be better for advisers whose clients hold individual securities but I generally recommend mutual funds and Centerpiece is excellent for that purpose."

With either program, advisers assert that the software has become a vital part of their firms' operations. "We have data links to all custody agents, so we know our clients' holdings, as well as the transaction prices," says Balasa. "When a client wants to know the tax consequences of selling a security, we can have the answer in a few seconds. The tables we use in clients' quarterly reports might take two minutes to produce."

Kiely says that he uses Centerpiece to download client information from Charles Schwab every day. (Schwab has an ownership interest in Performance Technologies, which produces Centerpiece.) "We can calculate each client's

investment return each quarter and for the year to date. Each month, we produce a report showing clients' results, as well as the returns for each asset class."

Such reports can be useful in educating clients and helping them to keep things in perspective. Last year, for example, the S&P 500 returned nearly 30 percent, far ahead of most mutual funds, so many clients expressed discontent that they did not have more exposure to large-cap domestic stocks, especially growth stocks. A comprehensive report could show clients that such stocks suffered double-digit returns in August 1999, while diversified portfolios, leavened with bonds, did much better. "Real estate investment trusts were poor performers in 1998," says Kiely, "losing 15 percent, on average. Centerpiece allowed me to show clients that they had very small exposure to REITs so their actual losses in that sector weren't large."

Last year, says Strickland, some clients were unhappy that they didn't receive the 30 percent returns that "everyone else" was getting, according to the media. "Centerpiece helped us to separate the returns by asset class, and explain why investors received certain results for the year."

This year, things turned around in the second quarter. "In that period, the leadership shifted to small-caps and REITs and emerging markets and Asian funds," says Strickland. "Again, Centerpiece showed clients how they were participating in these categories, if they were included in clients' asset allocation. I don't see how planners can deal with clients' expectations without a program such as Center-

piece to separate these investment returns."

According to Kiely, whenever he uses Centerpiece in a financial plan or an investment report for a client, he runs off a few extra copies, blanking out the clients' names. "I show these reports to prospective clients," he says, "to give them a detailed look at what I do so they'll know what to expect, if they hire me. Prospects are always impressed by the reports that Centerpiece produces."

Thus, portfolio management software programs help planners keep track of clients' holdings and issue reports. If there is a weakness, says Balasa, it is that these programs do not interface well with client contact software. "Sometimes we'd like to send a letter to our clients, incorporating data from the portfolio management software, but the programs don't work well together. Advent has acquired a program in this category but it would need an expensive fix for us to be able to use it the way we'd like."

The web is yet another way to deliver reports. Both Advent and Centerpiece allow client reports to be posted to a Web site for review. But not all advisors see such reporting as a necessity. "That's true, Kiely agrees, but that's not always a disadvantage. Many of our clients are retirees who don't own computers, so we haven't found it necessary to have a Web site." Strickland, too, has no Web site, at least for now. "We'll probably have a Web site within 12 months," he says.

Kiely notes that his retired clients may not insist upon Web sites but they are demanding in other areas, where Centerpiece

can help. "Many of them take money out of their investment accounts to provide current income," he says. "With Centerpiece, we have daily transaction prices so we can calculate returns on the money that's withdrawn. However, we don't have the same data for our older accounts so our calculations aren't as precise. I wish we had had Centerpiece from day one."

Strickland says that advisors should proceed carefully before choosing such a program because this choice likely will be a long-term commitment. "Today, if Advent were to offer a program with all of its capabilities, priced to compete with Centerpiece, I wouldn't buy it until I was sure I could get out of my original program with minimal time and effort."

Some advisors may be able to skirt the Advent-Centerpiece question by not buying either. "Our firm does performance measuring and monitoring, but we don't manage clients' assets," says Irvin Diamond, a CPA and financial planner in Albuquerque, N.M. "For a modest set-up fee we have direct access to Charles Schwab's SchwabLink program. Clients give us a power of attorney so we can gain access to their positions and their transaction, then tell those clients how they are doing."

Such an approach might work well for advisors engaged in measuring and monitoring portfolios, but those who are on the management side likely will have to choose a specialized program — and that means deciding how much capability they need to pay for.