

# PART FOUR: TECHNOLOGY INFRASTRUCTURE OUTSOURCING

**There’s no question that the Internet has fundamentally transformed our lives. Just think about how many times each day you find the information you’re looking for simply by clicking a mouse or tapping the screen of a mobile device.**

The Internet is also reshaping how advisors do business. Widespread adoption of social and mobile technology is dramatically changing how companies interact with customers, employees, and other stakeholders. Thanks to technology infrastructure outsourcing, advisors can now harness the power of the Internet to get the information they need to serve their clients and run their practices—on demand, in real time, from anywhere.

## A Web-Based Approach

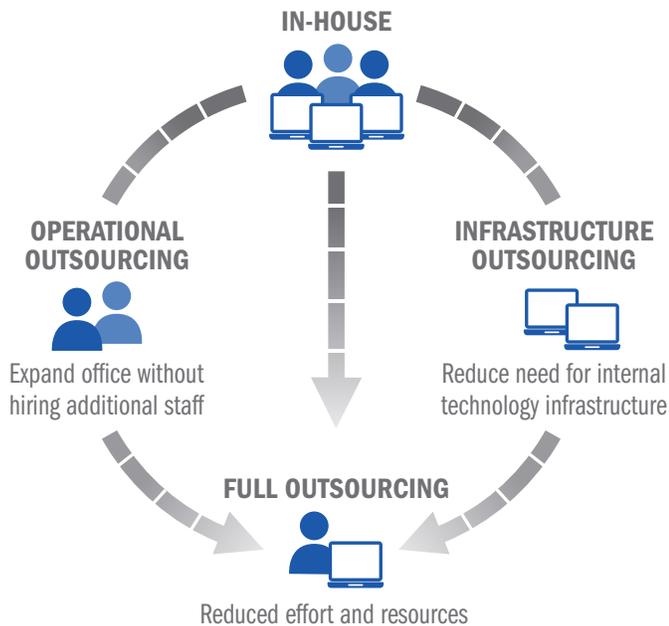
Technology infrastructure outsourcing is a fully Web-based approach to running a company’s technology. It can take many forms—from software as a service (application hosting) to storage as a service (renting or leasing IT storage space to house your data and applications) or platform as a service (using an outside platform provider to run deployment, development, and testing of applications).

For advisors, technology infrastructure outsourcing simply means:

- 1** They no longer have to install and maintain software, servers, and other systems in the RIA office.
- 2** Applications they use every day, the data within, and the IT infrastructure that manages both are securely housed in off-site data centers run by professional providers.
- 3** They have secure, Web-based access to their tools and data through Internet-enabled devices such as laptops, tablets, desktops, and smartphones.

Depending on their specific offerings and capabilities, those providers may also take care of maintaining, troubleshooting, and upgrading all that technology. Each provider is different and will offer varying levels of service at different prices. Advisors should thoroughly understand what the provider offers before making a decision.

## Your Outsourcing Options



Ready to maximize your growth potential by eliminating distractions of running back-office operations and technology in-house? Read Part Five, [“Full Technology Outsourcing.”](#)

## The Benefits of Technology Infrastructure Outsourcing

The appeal of infrastructure outsourcing is clear: Depending on the particular offering, it can eliminate the need for advisors and their staff to deal with some of the biggest headaches of managing technology, such as installing, maintaining, upgrading, and fixing hardware and software. It also lets advisors gain access to key critical data whenever they want it, no matter where they are. Taken together, those features offer advisors a host of benefits:

<b>Easier Implementation and Maintenance</b>	Setting up an in-house system can be expensive and time-consuming, and it can lead to errors. Because the outsourcing firm houses all the technology, the computers in an advisor's office require very little software to operate and maintain, and potentially at a lower cost in the long run.
<b>Greater Reliability and Business Continuity</b>	Natural disasters have a way of exposing the vulnerability that independent businesses face when they house their technology internally. For example, some businesses in the New York and New Jersey area whose offices were flooded in the wake of Superstorm Sandy were forced to shut down their operations for extended periods and replace their entire technology infrastructure.  Infrastructure outsourcing helps RIAs avoid such scenarios by housing technology off-site, in secure facilities with thorough disaster recovery plans and backup systems in place. That helps ensure that advisors stay up and running and have access to their mission-critical data no matter what nature throws their way.
<b>Enhanced Efficiency</b>	Infrastructure outsourcing's focus on mobility is a key advantage. On-demand access to information and applications means advisors and their staff can get work done from virtually anywhere—not just at the office and not just during regular business hours. That flexibility helps drive greater efficiency gains from advisors and their entire teams.
<b>More Robust Client Service</b>	Mobile access to data also means that advisors can immediately respond to client questions and requests with up-to-date information. That shortens advisors' response times significantly (no more sorting through paper files or waiting until you're back in the office to get answers) and strengthens the quality of the client service experience. The end result: greater client satisfaction and loyalty.
<b>Preparing for the Future: Next-Gen Clients</b>	Advisors' future clients—such as young, affluent investors, entrepreneurs, and the children of current clients—have grown up with the Internet and use social media, emailing, texting, and instant messaging as their default means of communicating. These prospective client groups will increasingly expect their advisors to use tablets and other mobile technology to provide on-demand, rapid-response service. Infrastructure outsourcing can help advisors deliver the type of experience that will win and keep the business of these emerging investors.
<b>Stronger Focus on Core Competencies</b>	Infrastructure outsourcing enables RIAs to greatly reduce the amount of money, time, staff, and other resources they spend on noncore tasks such as installing, maintaining, and upgrading servers in their offices. Advisors can instead reallocate that time, money, and human capital to winning new clients and providing great service.

## Making the Decision

Given its many benefits, it's not surprising that technology infrastructure outsourcing is a smart option for a wide variety of advisors with diverse needs and challenges, including those who are:

- Starting new firms and who want to get their businesses up and running quickly and easily
- Highly focused on spending their time and resources on client-facing activities, business development, and other growth drivers
- Spending a lot of time on the road, including meeting with clients at their homes or offices, and wanting access to real-time information from those locations

- Worried about the security and recovery of their data in the event of a disaster or mishap
- Serving (or wanting to work with) tech-savvy target markets
- Struggling or spending too much time and money dealing with maintaining and upgrading their in-house systems

If you run your technology in-house, assess whether it is truly worth your time, capital, and resources. The worksheet below may help you uncover detailed costs, including the amount of time and effort your staff devotes to various endeavors, unforeseen expenses that may affect your business in the future, and opportunity costs that may be better allocated to revenue generation and client service.

### Sample Technology Infrastructure Costs Worksheet

Technology Costs	Hardware/ Application	Setup and Installation	Ongoing Maintenance	Total
Server (include replacement every four to five years)				
SQL server				
System for remote connectivity/on-demand access via the Internet				
Information security (include malware, anti-virus software)				
Data backup, disaster recovery, and business continuity for all systems and applications				
Any integration costs for CRM, portfolio management, document management, and other core systems				

Other Cost Considerations	Total
Employee training	
Consultants and IT technicians on retainer or pay per service	
Opportunity costs from downtime, disaster recovery, or business continuity issues (deals not closed due to delays in data access, lost clients due to compromised client service, etc.)	
Reputational costs in lost business as a result of hacking, malware, or virus attacks	
Additional items	
<b>GRAND TOTAL</b>	

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Of course, infrastructure outsourcing is not a one-size-fits-all solution. Advisors must clearly understand the costs of outsourcing technology before making a decision to reduce staff, for example. Firms that rely on highly customized technology or processes may also find that some outsourcing providers don't offer that same level of customization.

Likewise, some advisors simply feel more comfortable if their servers and other technology are located under their roofs,

where they can physically see and touch them. But it's important to note that such comfort might be unwarranted: The amount and types of security measures, disaster recovery planning, and business continuity programs used by infrastructure outsourcing providers, given that this is their sole business, may exceed the security found in the individual RIA office—making it significantly safer to house technology off-site rather than in-house.

### Key Takeaways

**Advisors that outsource the management of their technology infrastructure can focus their time and resources on growing their business, instead of on maintenance, upgrades, backups, or server upkeep. Advisors must first perform an in-depth assessment of all their technology infrastructure management activities to ensure that outsourcing is the right option for their needs.**

Schwab and its affiliates have tools and resources to help with your outsourcing needs:

- ✓ Schwab Performance Technologies™ offers portfolio data management and reporting solutions to help advisors and investment managers better serve their clients. Visit [schwabpt.com](http://schwabpt.com).
- ✓ Schwab Intelligent Technologies™ offers technology integration solutions, workflow best practices, and information on technology providers that can help advisors both manage business more efficiently and deliver exceptional client services. Visit [schwabintelligenttechnologies.com](http://schwabintelligenttechnologies.com).

Contact your Schwab Advisor Services™ relationship manager to learn more about the information presented in this paper.

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