

Susan McDermott – Moving Forward with Technology

This transcript is from an [interview with Susan McDermott](#), first published on September 10th, 2022.

Software as a Service tools can add capabilities and integrate financial services for wealth management firms so they can attract and retain high-net-worth clients. Listen to Mark Wickersham from AgilLink as he discusses the advantages and capabilities of Software as a Service integrations with Susan McDermott, Sr. Director of Client Engagement at Addepar. Learn more about how integrating advanced technology into your processes can lead to better results, better client relationships, and less stress at the office.

Interview Transcript:

Mark:

Susan, welcome to Agilcast. I'm excited to have you on. Congratulations to joining Addepar. It's a great hire on their part. I'm excited to be having a chance to work a little bit more closely together with you.

Susan:

Thank you, Mark. I'm excited to be here too. I mean, I'm only three months in, but it's really a fun place and I'm excited that you and I get to connect again after a few years of not seeing each other.

Mark:

Yeah, it just shows the commitment at Addepar has to the family office space, and it's a great hire and we're pretty excited about it. What are some of the recent trends that you've seen with COVID, and how are family offices and vendors responding?

Susan:

In this unfortunate environment, it's been a bit of an impetus for family offices that were on the fence or thinking about technology upgrades, worrying about technology upgrades. Quite frankly, it took some of the decision making out of their hands. Right? And some of that fear was replaced with fear of not being able to access my information, perhaps not being able to transact, certainly not being able to make timely and informed decisions if I can't get at it. So I think that, again, really an impetus to move to modern technology, cloud-based technology, could be available and secure



wherever you are, while we all spend a lot more time in our own homes on communications like this.

Mark:

Yeah, I think the adoption of cloud-based technologies, finally, that should have been a debate that was over a long time ago. There's still this reluctance for a certain segment of family offices to embrace the cloud. I mean, you don't have to be managing hardware. Obviously it's going to be more in a more secure environment when it's in these data centers. Remote access, I mean, there's so many advantages to the cloud. Disaster recovery as we're seeing with the pandemic. I mean that immediately tested everybody's DR plans, or the fact that they might have not had a DR plan, right?

So these family offices have been historically reluctant to change. Do you see that shifting? Do you see this embrace a technology? And has a pandemic slowed adoption or has it accelerated adoption of technology?

Susan:

I think it's certainly accelerated adoption. We've seen huge spikes in online access of client portfolios over the last quarter. But I think it also not only spiked adoption, but analysis and decision making on what is the stack that we have? Is it adequate? And now's the time. We know there are better tools.

Mark:

Yeah.

Susan:

I think the other thing is this environment, in a way, has given back some time, to take the time to look at different products, to sit at your desk and analyze, and the pros and cons, because we're not jet setting as much as we were.

Mark:

Yeah, you're not commuting, right? Not getting on a plane. You're not even getting interrupted as much. Right?

Susan:

Correct.

Mark:

Somebody's got to set up a meeting.



Susan:

Obviously there are pluses and minuses to that as well, but I think one of the benefits is an ability to focus on technology. And the other trends that I see are, it's not one stop shopping, Mark. Right? And that's partly why the decision is hard. They need multiple tools, right? Their concerns are multifaceted. There is not a silver bullet. So this has given them the time to say, what tools do I need? What are the options available in those different categories? Which ones of those work well together? I understand there isn't one stop shopping, but I don't want to make my life harder than it needs to be either.

Mark:

Yeah, not everybody's up for the science experiment, right?

Susan:

Right.

Mark:

Right. And we've talked about this, right? The difference between the all in one and the best of breed kind of technology stack, right? And I think you're kind of finally seeing an alternative to some of these all in ones. I mean, there's no one right answer for every single family office. And there's certainly some advantages to the all in ones in terms of having one throat to choke in terms of vendor management, but you're going to make tradeoffs, right? And it's about evaluating, at a firm level, what are the tools I need, what are the areas that are important to me? And the best of breed can really compliment the firm's operating model and what's important to them in terms of delivery of services to their clients. So I mean that's why we were already so excited about our integration with Addepar. It kind of represents that we're a financial general ledger. We do bill pay, we do the things that Addepar doesn't and Addepar does the things with a fantastic client portal, data aggregation, and the investment analysis. It's really a compelling alternative that some of the things out there.

Susan:

There aren't many purpose-built GL's for our industry.

Mark:

Right.

Susan:

I think one of the other technological trends that is supportive of the best of breed is that technology itself has progressed, right? So integration 10 years ago was such a heavy lift. So to think about best of breed a decade ago or even more recently was a



technological and logistic endeavor that was very challenging for family offices to consider.

Mark:

Right, right. You really had to have a core competency and not many family offices had that with the technology. They needed something a little bit more plug and play. And I would agree, with API as the maturity of API technology and then when vendors are willing to sync up and match their APIs, it certainly is a game changer.

Susan:

I agree.

Mark:

And given your operational background, how should firms think about SaaS providers, and what areas should firms focus on beyond the features and functions when evaluating a SaaS provider?

Susan:

We get a lot of questions on this during the sales cycle and leading up to implementation. And that is, from the client's perspective, what resources do I need to dedicate to this effort? Implementation of this type of software, right, when you're talking about somewhat of the central nervous system of a company and all the information they need to operate and make decisions, that's no small feat. And that level of change is challenging for everybody. But I think what we've learned over years of doing it, is it needs to be a true partnership, right? I think software as a service or even the more service based offerings, when we're getting to know each other, both sides really have to bring resources to the table. I think one of the things that goes a little bit underappreciated is that I think providers like you and me, when we come in, and we have a lot of experience and we have people that can look at a set of complex portfolios and glean a lot of information very quickly, but we don't know the book as well as the client does.

So I think some of, there needs to be an understanding and collaboration as we're getting started to say the providers bring some level of expertise to the table on how to run this process, the project management of it, what sequence, what is the sequence of events. But the client really does need to be prepared to be the subject matter expert on their own portfolios and on the current state of the information as we get started together. I think it is one of the remaining challenges to software implementation, is the real getting to know you part.



Mark:

Really good point. I mean, obviously from a vendor perspective, we have the benefit of being able to see multiple family offices, multiple clients, be able to see different things at work, different things that don't work and can bring that kind of top practices to these firms. But obviously if there isn't a partner on the other side, nobody knows their clients better than they do, right? Nobody knows their accounts better than they do. So we've seen a lot of times you can pick the right technology vendor, the perfect technology vendor, but then if there isn't that kind of champion on the other side, there isn't that kind of point person on the other side to help you in that partnership, as you say, it doesn't matter. You're not going to be successful with that.

Susan:

And I think as we've all heard and talked about in this industry, each one of these small to medium sized businesses is unique, right? It's not wise for the likes of you and I to go in making assumptions, right? Because their infrastructure is very unique to them. And so, understanding that, understanding the disciplines that are most important within that office and whether it is, and I'll do a little bit of stereotyping, but whether it is much more of a CPA mindset over a CFA mindset, versus a kind of governance or deal making mindset, right? There's all different profiles. And so that, I think that persona definitely comes into play when you're crafting the implementation and how to configure the software and services that you and I provide for each unique client.

Mark:

Yeah, I think that's a great point. You know that saying out there, you see one family office, and you've seen one family office, and it holds up relatively true. I don't think family offices are necessarily unique snowflakes. You can categorize them, like you mentioned, I do think they're more accounting based ones versus investment based, or administrative versus maybe private equity focus, or it can look like a private investment firm. But there's also these cultural differences within the family office too, these nuances in terms of what's important to the family, and how they service the family, and what their values are, and how that impacts technology is really important. And vendors just can't come in with these templates and say, this is how we do things, right, they need to be a little bit more aware.

Susan:

To your point, I think most of the unique workflows are established because there is an influential client or family member that really requires a certain level of service, or attention, or report. And we're here to facilitate those efforts, not to institutionalize them.

Mark:

Right. Great point. So a lot of focus on technology, but people in operations are at the legs of that stool. And I know one of the things I think that makes your background so



great is kind of this deep operational experience that you have. How important is operations? And is that an area that firms often overlook and don't put enough emphasis on? Is this a new dawn for operations? Is there starting to finally be some more value around it?

Susan:

You know what I think, Mark, is that there is a bit of a new dawn, kind of a bit of a quiet revolution in understanding the importance of operations, but I think that is evolving along with the recognition of best of breed, integration, APIs, right? There again, there's not one single answer to how to establish, maintain, or run your operations, but it's absolutely important and needs to be considered as a critical component to the plan. So whether a family office is looking to remain really small, that's okay. I think they certainly need to consider an operations subject matter expert in house that is then coordinating with service providers, like Datafaction, and then coordinating the software as a service providers, like Addepar.

So whether the operations is in house to the family office or it's a blend of internal staff and outsource providers, it is a critical component. And how you plan that with the software tools that you integrate, is extremely important.

Mark:

I mean obviously family offices have to provide a wide breadth of services, and there's a lot of complexity involved with them. And the kind of dichotomy too is that they're small businesses, right? Even a large family office is maybe 50 people, right? And you look at the death and breadth of services they have to provide, it's really complex and challenging. How should family offices think about where to outsource, how much to outsource, and when they do outsource, how should they manage that outsourcer?

Susan:

And again, I'll do some stereotyping here because each decision is somewhat particular to that organization, but I think it often depends on going back to the discipline on which that office is built. So is it an outcropping of an operating business where it's sort of largely run by a CFA, or a corporate finance team? Did it really come out of more of a liquidity event and it's much more investment based? Or maybe it's multi-generational, right, and it's wealth transfer based. Whichever discipline I think or core competency is most important to them, and what their office is founded on, obviously is going to, probably remain their core discipline.

But I think what they have to do is, what are the other disciplines around those and how do they fit in, right? So if I'm more of a finance based firm, I might be looking to outsource the investment advisory. Or maybe I'm an investment based firm and I'm looking for a platform and services to outsource the accounting and some of the facilitation of tax information to furnish to my accountants. That's your first decision, right? What are you going to outsource?



Mark:

Right, right.

Susan:

Even with the advances of all technology, Mark, one thing that doesn't change in our industry is the need for relationships and the ability to trust and somewhat enjoy the people that I'm working with or have trusted some of my work to. So I think the first steps are deciding what you want to outsource, getting to know the options, digging in on due diligence on what are their tools due, what are their service definitions, what are their gaps, right? I think get providers to talk about and sort of admit to what they're not good at. We're all really good at talking about what we're good at.

Mark:

Right. Nobody does everything well, right?

Susan:

I think a key point would be, tell me what I don't know. Tell me I didn't ask that I should have.

Mark:

Yeah, I think these are great points. What are your core competencies? If you don't have a core competency in it, right, to take a look at outsourcing. And then when you do look at outsourcing, and I think that cultural fit is really important. Does that vendor have the same values as you? I mean obviously you don't want to have a vendor impact how you service your family, right? And if they don't have the same values and cultural fit, if it's not pleasant to work with them, then work becomes not pleasant and then turnover happens. I think these things get overlooked and I think that's really well said, Susan.

Consolidated reporting, it's hard. One that consolidated net worth reporting, the holy grail that firms are still trying to solve. And first off, why is it so important? And then why is it so hard to do?

Susan:

Families at this level of wealth, and the people that serve them, they need access to information of all different kinds at their fingertips. Families, especially the leaders of those families, they want what they want, when they want it. So the offices need to be really nimble. They need to know where their data points are, and they need to be able to provide them quickly and accurately and in a format that their clients like to digest. So that's why it's important.



You'd notice I didn't say anything about the content of that information, but I think that's the next dialogue. The breadth of the content of what they're being asked from one minute or one day to the next could be overarching allocation down to the deductibility of the component of a single expense transaction. So the breadth of those requests is enormous. And like you talked about before, family offices typically are not large as far as the number of professionals in house. So those things need to be easily accessible. And as we talked about in our opener, there is not the silver bullet. There is not one single software that's going to give me the insight and granularity of that component, of that expense transaction, and be able to do high level asset allocation, aggregated investment reporting in a really slick and modern way. Firms like yours and mine have focused on specializing in different aspects of that breadth of the entire ecosystem of wealth information.

Mark:

Well said. So many challenges in terms of, even if you break it down in the investment side, the aggregation and the accounting for alternatives versus marketables is very different. Both have their challenges, both require different kind of capabilities, and then trying to combine investment information with financial information, that's kind of that next level. And that's kind of the promise of the integration between Addepar and a general ledger like Datafaction can provide. But the accounting, one speaks Russian, one speaks Italian, they're very different types of accounting, right? Portfolio accounting is very different to financial accounting, and getting the two to talk to each other can be a challenge as well. But obviously these family offices have a lot of demands in terms of the information they need to provide, when they need to provide it. There's tools out there, there's better ways to do things, right?

Susan:

The myriad of sources that all that information is coming from. All the different content, all the different formats, from multiple different asset classes, as well as cash. It's pretty daunting.

Mark:

It is. It is. You get an ice cream headache just kind of thinking about it. What do you see out there? What are some of the common mistakes that you see family offices make when it comes to technology? Technology adoption?

Susan:

Probably, and this is changing, Mark, and it's sort of ever changing, but I would say still some level of decision making based on, this is what I know, this is what we've done. I know the patriarch needs this report and I know my current infrastructure can produce it. I think it's a little, still bit of fear based on change.



Mark:

Yeah, reluctance to change is certainly, I think one of them. I think the taking a look at just the dollar amount of how much something costs versus how much is it going to save, how much is it going to be able to enable? Not everything has an economic maybe ROI to it. There's other intangible benefits to it, and I think if you definitely take a look at staff nowadays too that younger staff doesn't want to be re-keying information into spreadsheets anymore. So this reluctance to change ends up becoming a problem, and is something where they just end up holding on too long to some of them.

Susan:

And if we look at even the history of sort family office, the amount of time that they need to spend, and the level of professionals that they need to do data collection, aggregation, validation.

Mark:

Right. That first mile.

Susan:

Greatly reduced over the last 10, even 20 years. So I think that there does need to be some level of progressiveness in a family office in being forward looking about the evolution of technology tools as it relates to workflow and human time spent in their offices.

Mark:

Right, right. Well said. I mean that one area alone, I think that first mile data aggregation. For marketables, I think there's a number of really good alternatives. Obviously Addepar does that and in spades, and then alternative data aggregations, finally starting to see some solutions in that area that's always been this kind of operational pain point that seemed like it got stuck in the nineties, right? And it went from a fax to a PDF, and that it's just been impossible to get structured data around alternatives until fairly recently.

Susan:

Well, I mean, there's still no standard, but we're getting a little bit closer to understanding all the different flavors and components of that kind of activity to be able to standardize it, or at least normalize it somehow.

Mark:

So post-COVID, looking beyond, what are some of the technology trends that you see in the family office that are going to be emerging over the next two, five years?



Susan:

Integration is key. And access and availability, right? Making tools that are suitable, and easy to find, and talk to each other. Right? We need maybe not make it so hard for the consumers of our services to find us. I think the trend will be consolidators or distributors of financial wealth related services and products.

Mark:

Yeah, I think the good news is that the family offices have a lot more options that are family office specific now versus having to adopt maybe a hedge fund tool or a small business tool. The bad news is, there's more options out there for family offices, right? So it causes this buyer confusion I think a little bit. And if they can get help on that journey with seeking out a professional consultant that kind of spends their time reviewing those type of things, I think that can go a long way. They don't know what they don't know, especially at the beginning of the journey, and having a professional like that can really save them time and even save them money in the long run. So I would agree with that. So what do you love about the family office?

Susan:

I like puzzles. So to me, I like the uniqueness. I like the problem solving and somewhat individual configuration and crafting a solution that is specific to that one client need. I like not quite out of the box.

Mark:

I like the complexity of the family office marketplace. Certainly I find fascinating. It's just really complex.

Susan:

I've never bored, Mark.

Mark:

And then, so what drives you crazy about the industry?

Susan:

You know what, I think it's been a little different in this environment based on some of the things that we talked about. I think some of my greatest frustration might be facing some level of indecision, that unwillingness to change, or to see that it's really time. But admittedly, I'm a little bit of an impatient person, but I think when I feel like I have really shown value in so many ways about making their life better, and they just can't make a decision, I think there's some impatience there.



Mark:

Yeah, the reluctance to change drives me crazy. And in some cases it almost borders on criminal with a billion dollar hedge fund, billion dollar family account,

Susan:

Right? With QuickBooks and Excel. I just-

Mark:

Yeah.

Susan:

Right.

Mark:

Right, right. It's like it's not a problem until it a problem, then it's a big problem. Yeah.

Susan:

Yeah.

Mark:

So pandemic, there has been some pleasant surprises, and whether it's having more time with the family or discovering a Netflix show, what have been some of the more pleasant surprises with you with the pandemic?

Susan:

The pandemic has been life changing for me in ways that are somewhat unrelated. But I think what is related is that time at home where I was spending, being really introspective in ways that I hadn't found time to be. So it's been really life changing and exciting for me. I mean, it's been the biggest thing that's happened to me during the pandemic, but I think I, like many have, I have two teenage boys, and so, the forced family time that I've gotten to spend with them where they may have been out gallivanting with friends more has really been a blessing.

Mark:

Yeah. Yeah, same here. I mean, I got two older girls, teenage, one in college, one at home, and they don't love spending every moment with their parents, but I've enjoyed it.

Susan:

But they've enjoyed it too. They won't admit that to me, but I can tell.



Mark:

Well, Sue this has been great. I really appreciate the time and the insights, and looking forward to working together with you more often.

Susan:

You too, Mark. It's been fun. I could talk to you all day.

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