



## Avoiding the Risks of Accidental Bill Payment

BUILDING SCALE AND SECURITY INTO  
THE CLIENT BILL PAYMENT PROCESS

Until recently, family wealth firms often added bill payment and client accounting services as a one-off service for a handful of their best clients that demanded it. Firms did not set out to provide this as a strategic service, but instead, it became a one-off offering using a mix of retail-based products, manual steps, and spreadsheets.

Today, the demand for bill payment and client accounting is rising as more firms seek to service high net worth and ultra-high net worth clients. These clients have more complexity in their finances, own multiple residences and want a service provider that can take care of their investments, as well as their finances. As firms seek to offer this service more broadly, they are forced to think about how to:

- Set up their operations team to properly scale
- Build in automated reporting that provides insights
- Mitigate risk and avoid mistakes

Firms are finding that bill payment can also add tremendous value. AgilLink (formerly Datafaction) surveyed hundreds of advisors and found that the number one reason advisors offer bill payment services is to enhance client relationships. Bill payment services are the super glue of client retention, but they can present certain risks if not set up correctly.

The old way of doing bill pay started when a firm receives an invoice in the mail or via email. Next the invoice needs to be scanned, recorded, validated, approved for

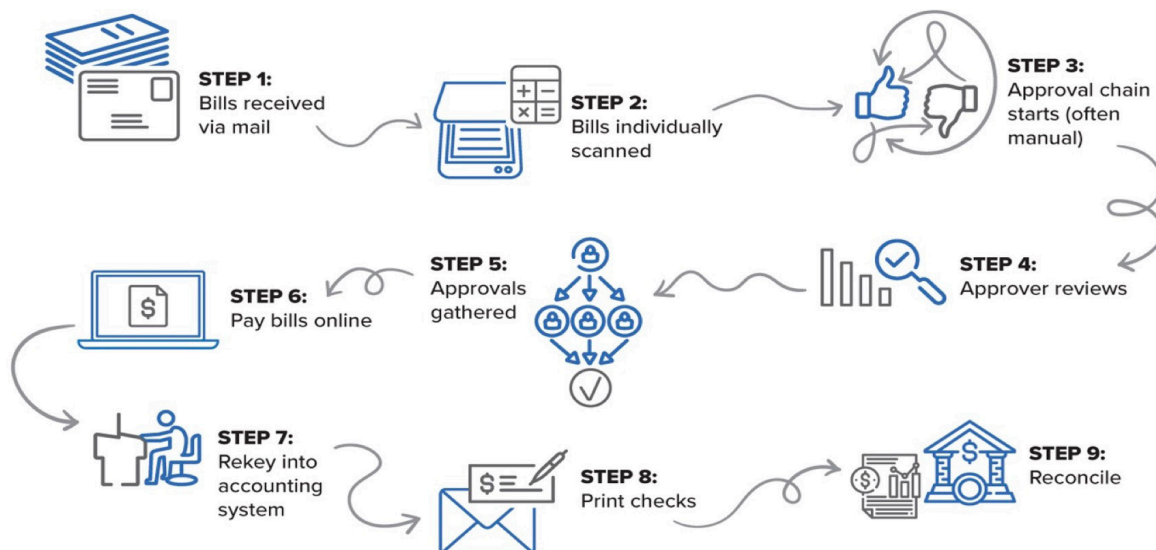
payment, and then paid. This process is time-consuming and error-prone, manual, paper-intensive and involves multiple systems, and spreadsheets.

### Bill Payment and Client Accounting Transformed

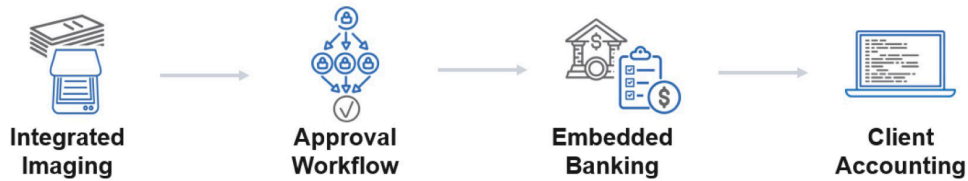
AgilLink has been servicing business managers, family offices and RIAs that offer bill payment and client accounting to high-net-worth individuals for over 45 years. The company has a deep understanding of the common mistakes family offices make when offering bill payment services to a broader segment of their client base.

Don Ludwig, SVP National Sales at AgilLink, explains how family offices can take a more systematized approach to client bill payment and how to avoid traps firms commonly fall into. “How you set up the service for one or two clients is not going to scale when you try to offer it to a dozen or more clients,” notes Ludwig. “You are just not going to have the controls and transparency you need to manage the service efficiently and securely. When firms fail to get it right, they then end up having to solve the problem with people rather than technology,” he continues. “What makes AgilLink different is that we have a deep understanding of the problems our clients are trying to solve.”

Carl Knecht, the president of Risclarity, a company that focuses on family wealth technology, explains the importance of efficiency for bill pay, “When it comes to bill pay, security is paramount... As a firm, you need to make bill pay efficient, cost effective, repeatable, and easy. The interface with the bank that AgilLink has, makes that process super-efficient.”



**Integrated Functions = Complete Solution**



**Getting It Right Up Front**

A scalable and secure bill payment process starts with setting up a separate operating account so that family offices are not paying bills out of clients’ online banking account. Sharing client credentials can pose security risks for firms. Without audit trails, it can be difficult for firms to trace how problems initiated and where accounts were exposed.

A second common mistake firms make is not ensuring proper separations of duties; the person entering the bills should not be approving them. Rick Higgins, Founder & CEO of Risclarity explains that to ensure proper controls and securities, firms need to have a multi-entity accounting system that integrates with a bill payment system and workflow, “We’ve seen catastrophic things in the industry because there wasn’t a strong separation of duties, and an enforced workflow...” An institutional-grade workflow is foundational to a scalable service, where a bookkeeper may need approval from one or more partners and/or clients for certain invoices. Having an integrated, rule-based workflow ensures that funds are not released until the transaction is properly approved.

Detecting anomalies and potential problems quickly is key, but the foundation of this – timely bank reconciliation – is often overlooked due to the bill payment platform not being fully integrated with accounting systems. Falling behind on bank reconciliation is a sign that firms do not have a scalable and secure bill payment platform.

**See Technology as a Strategic Asset**

Broadly, the struggle many Multi Family Offices (MFO) face when trying to grow beyond a certain size is a lack of integrated technology that efficiently supports the business. A human capital-intensive approach is not scalable or profitable. AgilLink believes that to unlock true growth potential, firms need to accelerate investment, by looking at technology as a strategic asset rather than a cost center. Don Ludwig, SVP National Sales, emphasizes the importance of having an API-based ecosystem and mobile app. By embracing scalable cloud-based solutions that can integrate with each other, firms can create a best-of- breed technology stack.

Multi-family offices (MFOs) must also provide standard digital customer experience, like big tech companies, giving their clients 24/7 on-demand access to their data on the device of their choice. Client feedback confirms that “having a mobile app is a big deal,” as is controlling their participation level.

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“Some clients will always want to be involved in bill approval, but others only for certain situations and transactions - maybe they are building a home and they want to review all those invoices, or perhaps they just want to review bills over a certain dollar amount,” Don Ludwig observes, “And if they are going to be involved it needs to be on their device of choice, which more often than not is their phone.”

### Care Needed with Auto Debit and Credit Cards

Another side effect of not having a proper infrastructure to offer multi-client bill payment services is an over reliance on automated debit. It may be an appropriate payment method for certain important recurring expenses, such as paying mortgages or quarterly life insurance premiums. However, auto-debit differs from bill payment, as you are giving permission for a company to take money from an account rather than giving permission for the bank to make a payment.

In Ludwig's view, relying on auto-debit for a majority of expenses is a sign that the firm does not have the proper technology and controls in place. Moreover, the lack of transparency and review can leave firms more vulnerable to fraud.

AgilLink encourages firms to apply many of these best practices to the processing of credit cards. Due to the volume of credit card transactions, many firms may not have the same level of control and may not reconcile credit cards like they would bank accounts. This elevates the risk of not detecting fraudulent transactions as well as the potential for internal fraud.

### The Sweet Spot of Automation and Control

AgilLink has been in business for over 45 years and understands that there is a scalable sweet spot which maximizes both automation and control, but this depends on an industry-specific approach. When processes are not integrated, the manual processes can create gaps and ultimately increase risk. Having purposeful, fully integrated technology will reduce risk, add controls, and speed up the process.

Integration starts with turning an invoice into a digitized format so it can traverse the whole bill payment lifecycle seamlessly. This starts through an approval workflow, to an integrated banking/treasury management system, and then to a multi-entity general ledger in one unified system.



The ideal for family wealth firms is a solution which delivers true separation of duties, transparency, fraud risk mitigation, labor-saving efficiencies, and a full audit trail for both client management and compliance purposes.

“Even at the end of the process, when the accounting system is updated, if a client questions, ‘Why were my expenses so high?’ or ‘Why did I spend \$20,000 with this vendor?’ they need to see with one click the back up and the actual digital invoice,” Ludwig says. “Or, if an auditor comes in and says, ‘Why did you pay this bill?’ you need to be able to pull up the document to see who entered it, who approved it, and all the timestamps to make sure that it matches the client agreement.”

Finally, Ludwig warns that family offices need to be aware of what they are signing up for where technology is concerned, particularly with cloud or SaaS solutions. He explains that the vendor is providing a service in addition to technology, so making sure the vendor is a good cultural fit, and a strong long-term service provider is important.

But perhaps most important of all is to seek a provider which sees through a family wealth lens, as “generalist” solutions rarely make the grade. AgilLink has developed their bill payment and accounting solution in collaboration with their family office and business management clients for the past forty-five years. This level of engagement and input with the industry is key.

**About AgilLink:** AgilLink provides secure bill pay and client accounting solutions to family offices, business managers and sport management firms. AgilLink enables firms to scale their bill pay and client accounting operations while adding more control. AgilLink knows your business and only focuses on firms that service high net worth individuals and families.

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