

NAPFA SPRING 2025 NATIONAL CONFERENCE

DESERT INSIGHTS
CUTTING-EDGE PLANNING STRATEGIES THAT BRING THE HEAT

Is Outsourcing the Answer to Transforming my Practice?

Focus on your strengths, interests, and values
with fractional support.

Examples in Compliance, Marketing, and Investments.



Today we will...

- Explore the benefits and challenges of delegating
- The difference between a vendor and a partner
- Address common misconceptions about outsourcing
- Provide a checklist on whether it is right for you
- Review regulatory considerations to ensure a seamless integration



Olivia Luper Lexicon Advisor Marketing

Seeing the need for custom growth solutions in the financial services industry, I sought to bring a fresh perspective to financial content so advisors could connect with their communities and serve more clients they loved. So I founded Lexicon Advisor Marketing in 2018 to bring our custom services exclusively to the financial industry. Now I act as an advisory firm's fractional CMO with the support of my team to handle complex implementation.



Elizabeth Cope CPA, CSCP, CIPM SEC Compliance Solution

I have been assisting investment advisers with compliance for over 20 years. I'm a firm believer that compliance does not have to be complicated. My motto is, "Keep it simple and practical!" Easy-to-manage policies and procedures are the best way to improve employees' understanding of compliance and have them buy-in to help avoid potential deficiencies.



Eric Stein CFA & Partner East Bay Investment Solutions

Eric's passion for investing and client service is clear as he truly enjoys sharing his knowledge and experiences. Eric has an ability to make the most of his strong analytical background while still creating content that is adviser and client friendly. His goal is to be the go-to investment resource for advisers, so they can spend their time focused on serving their clients and growing their practice.

- ✓ **Passion**
- ✓ **Energy**
- ✓ **Enthusiasm**
- ✓ **Achievement**

Overview

1. The benefits, challenges and common misconceptions of outsourcing
2. How to know if outsourcing is the right solution for you
3. What to consider when hiring a third-party
4. How the regulators view outsourcing
5. How your clients view outsourcing
6. HOW to FEEL CONFIDENT Passing the Torch

What Does Outsourcing Really Mean?



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We are an Extension of Your Team



The Benefits of Outsourcing

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The Top 5 Benefits of Outsourcing

1. Time
2. Cost
3. Breadth of Knowledge, Experience & Resources
4. Peace of Mind
5. Preparation for Growth

Time

- Time = our most precious commodity
 - Can't buy it, can't earn it, can't take a loan out on it
 - Literally the most finite resource we have
- Benefits of saving time with outsourcing:
 - Spend time on the areas where YOU provide the greatest ROI
 - Be more productive (reduce time sinks and stress)
 - Integrate change faster than hiring internally
 - External help improves internal function & morale

Cost

- Hire externally at a fraction of the cost it takes to hire an employee
 - No health insurance
 - No Equipment
 - No high salary demands (especially in executive roles)
- Higher profitability due to increased economies of scale
- Deeper levels of expertise and experience with a fractional who is seeing and facing today's challenges in real time every day

Examples of Cost Savings Marketing

Cost Factor	In-House Marketing Team	Outsourced Marketing Services
Salaries & Benefits	\$45,000 – \$150,000+ per year per employee; 5 employees = \$500,000	Annual retainers from \$60k-\$300k+ per year
Training & Development	Additional costs for courses, seminars, certifications	No extra cost - agency professionals stay updated
Equipment & Technology	Computers, software, and tools required for employees	Included in agency fees
Overhead Expenses	Office space, furniture, and supplies	No additional overhead costs
Flexible Contracts	Long-term employment commitment	Short-term or flexible contract options
Expertise & Specialization	Limited to in-house talent pool	Access to a diverse team of specialized experts

Examples of Cost Savings Compliance

Cost Factor	In-House Compliance	Outsourced Compliance
Salaries & Benefits	Entry (0-3): \$75K + Mid (3-7 years): \$100K + Senior/CCO (7+ years) \$150K + Add 20-30% for taxes and benefits	Basic: \$350/hour OR \$20K + Mid Level: \$35K + Outsourced CCO: Varies \$50K + Do not pay taxes and benefits
Time	If not an experienced CCO can take 12-24 months	None, a professional outsourced team already aware of the rules and regulations

Examples of Cost Savings OCIO

Considerations	TAMPs	In-House CIO/Director of Research	East Bay Investment Solutions
Compensation Structures	Asset-based pricing that can be expensive as the firm grows	Salary plus compensation, cost of benefits and performance-based fees.	Transparent, flat-fee pricing that does not increase based on AUM.
Average Cost/Year	If you are a \$200M RIA and are paying 20 bps for TAMP services, that equates to \$400k/year in TAMP costs.	\$367,000* annually (not including performance bonuses, expenses tied to the employee, etc.)	\$4,000 per month**
Further Considerations	TAMPs may not provide the investment customization desired.	High fixed costs regardless of performance and the firm bears the full responsibility of research and staffing	Not locked into long-term contracts. No surprise or hidden fees, no compensation based on performance, and no increase in fees based on advisor growth.

*Data fathered from Charles Schwab's 2023 RIA Benchmarking Study: "Compensation: A key component of a talent strategy." **East Bay Investment Solutions' best rate for 2025.

Breadth of Knowledge, Experience & Resources

- Leverage the experience
 - Learn from others' mistakes
 - Develop best practices
 - Get a knowledgeable, fresh set of eyes to
 - Confirm you are doing it right
 - Offer ideas to improve your effectiveness and efficiency
- Support system without the drama
- Interpret meaning at a much faster pace
- Bold honesty—an advocate for your success

Regain Confidence and Get Excited About Your Business Again

- Ahhhh, take a breath!
- Its is the BEST feeling when you know you are on top of your game
- Allows you to be proactive rather than reactive
- Don't need to worry about staying on top of trends or changes when your outsourced team can do that for you

Preparation for Growth

- Economies of Scale
 - efficient AND effective processes
- Frees up internal resources to focus on items that provide greater ROI (see next slide)
- Handle growth at a faster rate – can outsource more functions and integrate faster

Common Misconceptions of Outsourcing

Common Misconceptions

- It is too expensive
- A handshake is enough
- Only large firms benefit from outsourcing
- It will disrupt the corporate culture
- An outsourced firm won't understand my firm
- I will lose control over the process or outcome

How Do I Know if Outsourcing is the Right Solution For Me?

When outsourcing might be a good idea:	When outsourcing might not be the best option:
<p data-bbox="144 188 376 221">In a transition:</p> <ul data-bbox="216 238 488 361" style="list-style-type: none"><li data-bbox="216 238 384 270">Succession<li data-bbox="216 281 361 314">Turnover<li data-bbox="216 325 488 361">Increased growth <p data-bbox="144 416 917 497">Specialized skills needed: compliance, investment management, marketing expertise</p> <p data-bbox="144 552 662 585">Support of a team vs. one person</p> <p data-bbox="144 639 797 672">Hard time finding right internal candidate</p> <p data-bbox="144 727 510 760">Need to keep costs low</p> <p data-bbox="144 814 477 847">Need help right now!</p>	<p data-bbox="979 188 1752 270">Core business functions: Activities directly related to your company's unique value proposition.</p> <p data-bbox="979 325 1692 407">Sensitive data handling: Tasks involving highly confidential information</p> <p data-bbox="979 461 1717 585">Poor communication infrastructure: If clear communication with the outsourcing provider is difficult to establish</p>

Hiring a Fractional Service Provider

Considerations When Looking for a Provider

- Experience & Offer
- References/Referrals
- Personality
- Scope of services and fees
- Flexibility/scalability
- Due Diligence
- Privacy Policies

What's the SEC's Take on Outsourcing?

It's not a problem...unless it's a problem

- Outsourcing is not an issue with the SEC
- Due-diligence
- Books and records
- Support during an exam

How Can Outsourcing Make Your Firm Stronger?

Key Benefits

Compliance	Marketing	Investment Management
<ul style="list-style-type: none">• Reduce risks• Ensure regulatory adherence• Advisors can focus on core business activities	<ul style="list-style-type: none">• Maintain a consistent and professional brand presence• Attract and retain ideal clients• Remain consistent and top of mind in volatile markets• Advisors can focus on client relationships and business growth	<ul style="list-style-type: none">• Access to a broader range of investment options• Leverage expertise of specialization• Enhance client satisfaction and retention

Thank you!



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