THE VALUE OF FINTECH PLATFORMS

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Last week's "Behind the Markets" podcast featured an interview with David Lyon, CEO of the fintech wealth management platform Oranj.

Lyon ran a multi-family office managing money for 27 different families when he realized how services in all industries were evolving toward more digital offerings. He saw the archaic way most advisors were running their businesses and wanted to develop a better way to serve financial advisors. Ever since, his mission has been to help advisors better connect, communicate and collaborate with their clients.

Lyon believes the financial services industry lags other industries, such as music or consumer applications, in innovation. But recent developments in platforms are helping lower the cost to consumers and bringing better outcomes for clients.

The "Freemium" Model

Lyon wants to reduce the friction points for adopting the Oranj platform and has embraced a "freemium" pricing model, offering a basic set of services for free, and charging a fee for enhanced features or premium content. He believes the best software providers in the world have adopted "freemium" models and they quickly implement client feedback as they onboard clients to their free offerings.

Lyon described Oranj's main value proposition as helping to streamline portfolio management and client service. Its primary features include portfolio management, trading and rebalancing and a client portal with tools for clients to help track their goals, net worth and balance sheet information.

One key feature of Oranj is a model market center. Many model portfolio providers charge overlay fees, which Lyon sees as an inhibitor to adoption. Oranj provides advisors free access to their model market center as well as the ability to blend third-party model portfolios together or create custom ones.

Despite the benefits, there is a perception that advisors who utilize models are losing control of the investment process. However, we think models can create better investment collaboration when servicing clients. An analogy helps illustrate this point: If you are going to a doctor because you don't feel well, you want them to look across their network for millions of case studies and inputs to help diagnose and treat your condition. Similarly, advisors can tap into technology solutions and information to potentially create better outcomes.

How Advisors Are Reacting to Market Volatility

- Lyon described that advisors are holding on to a lot more cash, as they normally would during a volatile market period, but they are buying the dips when they can find investments at attractive prices.

- Rebalancing activity has increased 2.5x the normal pre-crisis levels, signaling that advisors and their clients are paying close attention to portfolio movements and are engaged in creating the right financial plan.

- There has been a greater uptick in the use of model portfolios, with a 77% increase year-to-date in strategist models.

You can listen to the full conversation with David Lyon below.

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