



RISKALYZE CASE STUDY

Riskalyze Helps Independent RIA & Broker-Dealer With \$3B+ AUM Set The Bar For Fiduciary Care

How Founders Financial Securities Plans to Excel with Support from Riskalyze

FIRM PROFILE

Founded: 2005 | **AUM:** \$3 Billion+

Bio: Founders is an independent RIA and broker-dealer on a mission to provide financial advisors—its Member Partners—with a community that empowers professional and personal growth. Founders offers an integrated suite of technologies, including Riskalyze, to help Member Partners run efficient businesses that prioritize the needs of the investors they serve.

A LITTLE HISTORY

Founders was the first enterprise firm to work with Riskalyze on a full firm-wide rollout of the platform to all of its advisors. As a long-time member of the Fearless Investing movement, Founders has put Riskalyze at the core of its tech stack for Member Partners from the beginning of its partnership.

The Member Partners at Founders want to do one thing well—help their clients achieve their dreams by serving their investment needs.

By providing a technology stack that centrally locates risk in the client experience, Founders ensures its advisors are able to put their focus where it matters most.

OPERATING WITH INTEGRITY

Not too long ago, the executive leadership at Founders was dealing with the Department of Labor Fiduciary Rule. Even though the rule was seen as something that could upend the workflows of many offering financial advice, the team at Founders wasn't too worried.

“Because of the level of relationship we have with our Members, we are able to operate from a place of integrity. We build and test as a community. The work then, is more about validating and verifying the processes we’ve built are upheld.”

BRAD SHEPHERD
PRESIDENT AND CEO

Because of the preparation it had already done for the DOL rule, Founders was ahead of the curve when Regulation Best Interest was announced.

Now, with a June 30, 2020 compliance date ahead of it, Founders is fine-tuning the institutional-level processes it needs to follow to keep its Member Partners compliant and thriving in the years ahead. And Riskalyze is playing a key part in that process.

THE FOUR OBLIGATIONS REQUIRED BY REGULATION BEST INTEREST

The Regulation Best Interest rule requires broker-dealers to follow four primary obligations:



Disclosure: Broker-dealers must provide, in writing, a full and fair disclosure of the material facts of their relationship with clients.



Care: Demonstrate due diligence has been taken to make sure clients understand recommendations, risks, and costs; prove recommendations are aligned to each unique client's needs; and place client interests first.



Conflict of Interest: Implement policies and procedures to mitigate the chance that firm interests may be prioritized over client interests.



Compliance Obligations: Create a system that ensures all the processes required by Regulation Best Interest are met.

HOW FOUNDERS FINANCIAL WILL MEET REG BI OBLIGATIONS WITH SUPPORT FROM RISKALYZE



Disclosure: Riskalyze gives Founders a powerful starting point to show that they approach risk and portfolio recommendations in a non-biased, quantitative, and scientific manner. And, as inevitable changes and curveballs show up over time, Riskalyze can easily handle any updates necessary to the disclosures that must be provided to clients when recommendations are delivered.

"Riskalyze helps our advisors put transparency front and center in conversations with clients. Explanation and disclosure of risk are the most important component of this, and the Riskalyze Risk Number® assessment provides a simple look at what a client wants, what they have, and what they need," said Shepherd.

As Founders considers what additional disclosure is necessary to comply with Reg BI And Form CRS, Riskalyze is there to help execute that vision on their behalf.



Care: Founders requires every client it serves to go through a Risk Assessment. It's one thing to ask how comfortable a person is with risk, and it's quite another to do a thoughtful assessment that determines the truth of their answers.

By making risk a central piece of the conversation, the Riskalyze platform makes it easy for Member Partners of Founders to prove clients understand risk, and that their portfolios are built with their unique preferences in mind.

Riskalyze's unique ability to analyze portfolios down to the position level, versus asset class level, gives Founders a leg up when documenting care at the transaction or series of transactions level that Reg BI requires.

"Member Partners understand that financial planning is not an event—it is a process. Advisors earn trust by managing relationships and helping clients continue to assess their risk as their situations change," said Shepherd.

"Clients often begin working with an advisor expecting to talk about rate of return, but with tools like the Riskalyze Retirement Map, advisors can easily show clients that achieving their goals can look different over time, and how our financial advice affects their decisions and behavior."



Conflicts of Interest: At its heart, financial advice is a relationship business. "Empowering advisors to servant-lead each relationship is the primary goal of Founders," said Shepherd. In financial services, that hospitality is shown as putting the client first. In order to do that well, conflicts must be known and shared in plain language—as well as avoided.

While Reg BI doesn't require advisors to recommend the lowest cost solution, advisors do need to prove best interest.

Riskalyze's ability to factor expenses and advisory fees into the Risk Number empowers advisors to illustrate why the lowest cost may not always be the appropriate solution.

Founders simplified its ability to be transparent with clients by building a custom tool with Riskalyze. The tool displays fee structure, risk tolerance, and expense ratios for both a current and proposed portfolio, in one easy-to-read report.

"Riskalyze can't eliminate conflicts of interest, but it makes it much easier to provide information that is easy for clients to digest," Shepherd said. "The Founders tech stack encourages advisors to support relationships by continually evaluating risk. By engaging with clients over time, advisors can present them with multiple options and help them make informed decisions."



Compliance Obligations: A good compliance platform operates with a defined system that clarifies what needs to be done, who needs to do it, and when it needs to be complete.

Founders goes beyond implementing a requirement. In addition to requiring each client to take a Risk Assessment, Founders offers integrated workflows to support recordkeeping and documentation for all aspects of the client process.

These workflows are reflective of the way an advisor would go through the client process. Part of the workflow includes internal forms that record what the clients want, need, and have for their risk profile to achieve their stated goals. Complementary to that are certification forms that can be signed and executed along with each client.

"We have a high degree of confidence in and respect for our Member Partners. Because of that, we go beyond just implementing a requirement. Our holistic approach to our compliance obligations allows Members to implement and meet the requirements of the industry while they continue to serve their clients. We strive to make these types of transitions as smooth as possible." Shepherd said.

Confidence for What's Next

Given that multiple states have filed lawsuits against it, Regulation Best Interest may yet look different by the time its implementation date arrives.

But because of the integrity of its Members and the Riskalyze platform that supports them, the team at Founders is confident in its ability to meet the requirements of any best-interest rule.


"I have to give Riskalyze credit for making something as mundane as risk management, fun and exciting," Shepherd said. "The platform is a tool that our Members and home office are comfortable with using across all our Member Partners, and it makes risk a simple concept for clients to understand."


READY TO JOIN THE FEARLESS INVESTING MOVEMENT?

We'd love to show you how tens of thousands of advisors are empowering fearless investing with the Risk Number.

TAKE A PERSONAL TOUR

Riskalyze is the company that invented the Risk Number®, which powers the world's first Risk Alignment Platform and was built on top of a Nobel Prize-winning academic framework. Advisors, broker-dealers, RIAs and asset managers use the Riskalyze platform to create alignment between clients and portfolios, leverage sophisticated analytics to increase the quality of their advice, automate trading and client account management, and access world-class models and research in the Riskalyze Partner Store — all with the mission of empowering the world to invest fearlessly. To learn more, visit riskalyze.com.

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