

# PROS AND CONS OF USING AN OUTSOURCED INVESTMENT MANAGEMENT (TAMP) SERVICE



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If you are a financial advisor, have you considered outsourcing your investment management recently? If so, you are not alone.

According to a study by [Tiburon Strategic Advisors](#), the number of financial advisors that made the leap to outsourced investment management jumped from about 800 advisors in 1995 to over 198,000 just a few years later.

How does this outsourcing process work? Basically, you partner with a firm that provides a dedicated investment management platform, also referred to as a Turnkey Asset Management Program, or “TAMP.” The TAMP team then handles all investment research, selection, transactions, and monitoring for your clients.

TAMP services are popular for a reason: they offer a unique way to simplify your business so you can focus more on offering holistic financial planning. But like everything, there are tradeoffs. This article weighs the pros and cons of using an outsourced investment management service, so you can make an informed decision about whether partnering with one is right for you.

## Benefits of Using a TAMP Service

[Research](#) suggests that advisors tend to be very pleased they made the switch to a TAMP; in fact, it shows many regret not acting sooner. The benefits can be plentiful.

### Pro #1: More free time to offer quality service

As the number of financial advisors grows it is becoming more challenging and more important to differentiate yourself and stand out. One way you can distinguish your firm is to provide fantastic service to your clients. But that can be difficult to do when you are overwhelmed with all the requirements of investment management, recordkeeping, and reporting, along with financial planning.

By outsourcing your investment management, you can move more into the role of a true advisor. With one aspect of your services delegated to a specialist team, you can use your freed-up resources to focus on addressing more client needs.

All of this can lead to increased client satisfaction, improved client retention, and an ability to bring on more clients.

### Pro #2: Less stressful life

Today's markets seem to move faster than ever. Even veterans with decades of experience can feel uncertain at times, struggling to keep up with global trends and a growing amount of information. The ability to outsource your entire investment function to a team of specialists lifts

that burden of having to closely monitor all client investments from your shoulders. Especially if you work with a TAMP that provides back-office support as well, you will be freed to focus on financial planning and business development. Many outsourcing advisors find that to be a significant advantage, allowing your role to shift to one of oversight.

Further, many advisors feel pressure to outperform the market. By outsourcing that function, you can focus on finding strategies for your clients that can more reliably help their bottom line.

### **Pro #3: Lower overhead**

Along with less stress, you can significantly lower your costs, too, by utilizing a TAMP. You probably need less staff and fewer investment research services and subscriptions. You will have potentially even more savings if you choose a TAMP that also handles all back-office support.

When you partner with a full-service TAMP, you essentially gain a “team” without the expense of salaries or contractor fees. This can be an ideal setup for smaller firms or solo practices, which can expand your reach without you having to ramp up your payroll.

### **Pro #4: Built-in succession planning**

Succession planning is a huge issue for solo and small financial advisor practices. When you go with a TAMP, especially one that provides full service and back-office support, you have an instant succession plan for your operations. No longer is there a complicated transition plan if you or a key person choose to sell or leave. Clients would be less likely to notice a difference in their investment management.

### **Pro #5: Can make your firm a more attractive acquisition target**

Similarly, if you use an outsourced TAMP, then you are usually viewed as a more attractive acquisition target. If someone buys you out, the investment aspect will not change, and there is no training or learning curve on how to interact with clients on investments.

### **Pro #6: Can improve your marketing resources and results**

Some TAMPs provide marketing resources to their clients, and others (such as Cardea) even provide leads that were generated from their online marketing efforts. All of these can be a needed boost to get your marketing efforts on more solid footing.

Additionally, outsourcing can help you focus on a niche, which will help you successfully distinguish your firm from your peers.

## Drawbacks of Using a TAMP Service

Of course, there are always some positive and negatives to any business decision. It is critical to be aware of these potential issues so nothing catches you by surprise, and so you can plan accordingly.

### Con #1: Less control

If you use a TAMP, you are still going to feel responsible to the client even if part of their service is out of your hands. If the TAMP service is not as responsive as you would like, you may feel uncomfortable. In most cases, it will just be a matter of time for clients to adjust, but this can create discomfort for some. This is especially the case for advisors who prioritize quick responses, or who have clients with unusual investment needs.

You can minimize this risk by doing your due diligence to select a TAMP with the service level that is the best fit for you. But even if you've chosen well, a TAMP that is growing fast may have occasional glitches as they scale their systems, so be sure to ask the TAMP what they are doing to ensure service keeps up with expansion.

### Con #2: Fee restructure

TAMPs have a cost, of course. Normally, that will be offset by your lesser costs in labor, time, administration, and other tools you may no longer need.

But in many cases, there may be a cost increase. Some financial advisors choose to absorb that fee for existing clients, while others may pass that fee along to new and existing clients. Of course, you should be able to provide more service after outsourcing, but you will have to decide which makes the most sense for you.

### Con #3: Branding

If you choose a branded TAMP, it may introduce some confusion into your business model as clients will see two business names. Some TAMPs, however, offer full white-label service, so you can stick with your brand and logo. This would even appear on the portal the clients use to access their accounts. Not all TAMPs offer this, so just be aware of this difference.

## What is right for your firm?

Obviously, there are pros and cons to making the jump to outsourcing your investment management. If you are going in that direction, the critical thing to do is spend time researching your options so you find the right partner.

Here are some things to keep in mind:

- There are an estimated 40 different TAMPs out there, so you have choices. Every provider is different. Do not assume they are all a good fit; instead, do your homework to avoid any culture clashes later.
- Not all TAMPs are flexible—for example, some may allow clients to maintain legacy stock positions, and many others may not. Especially if you work with higher net worth clients, you may need to look around for a TAMP that offers services more tailored to their needs.
- Not all firms white label materials and technology, so instead of just seeing your firm's name and logo, theirs may be involved as well. For many firms, that can be uncomfortable, so you may want to limit your search to those that offer full-service white labeling.
- Some TAMPs offer specialists who are willing to meet with you and your clients virtually to address specialized needs. They can offer a very high service level, so if you are a small firm, this may help you extend your depth. On the other hand, if you have a full staff, you may not need this extra support.
- Some TAMPs offer extensive digital marketing resources and even free leads to their clients. These can provide significant advantages to smaller firms as well as more technical shops that are less marketing oriented.
- Do not just assume the largest TAMPs provide the best service, because some that have experienced the fastest growth have gone through the inevitable bottlenecks to keep up with the growth. Depending upon your needs, a smaller, more specialized TAMP may provide you with a more reliable and personalized service.

As the outsourcing trend continues, there is a lot to like, but just be sure to look before you leap. Considering the benefits that a TAMP can bring to your firm, it may be one of the most significant business decisions you make, so be sure to consider all factors to make sure you are making the best choice for your firm and your clients.

***This is not an offer of sale of securities. All investing involves risk, and particular investment outcomes are not guaranteed.***

#### Endnotes

1. <https://www.thewealthadvisor.com/article/ramping-tamps-2019-and-beyond>
2. <https://www.thinkadvisor.com/2019/08/20/how-outsourcing-investment-management-can-benefit-advisors-survey/>



## Kendall Borchardt AIF®

National Sales Director

Kendall has over 25 years of experience in the financial services industry. She started her career in 1993 at Dean Witter/Morgan Stanley in Houston and soon transitioned to the investment advisory side of the business, where she worked at a family office, exclusively with high net worth professional athletes, handling all aspects of their financial needs.

After working directly with clients for several years, Kendall made a shift to the fee-based consulting side of the business. She has a diverse background working with many types of financial advisors – registered investment advisors, single family offices, foundations, wire-houses, and independent advisors. She has also represented a variety of money managers - emerging managers, mutual funds, exchange traded funds, separately managed accounts, custom bond portfolios, and private equity.

Kendall believes this business is relationship driven and that the core of her success is delivering a very high-end style of service and products for advisors and their high net worth and ultra-high net worth clients. A niche, very specialized investment offering, a simple and user-friendly interface coupled with trusted service, helps advisors deliver a customizable and responsive experience to their clients and differentiate themselves from their competition. Her goal is to allow advisors to focus on growing their assets, revenue and profitability.

She has a B.S. in Economics from the University of Houston and has successfully passed the following regulatory exams: Series 7, 24, 63, and 65. She also attained the Accredited Investment Fiduciary® (AIF) designation from the Center of Fiduciary Studies. Kendall has served in numerous board positions at the local Georgia chapter of the Financial Planning Association (FPA), as well as President in 2011 and Chairman in 2012. She enjoys playing tennis, traveling, sailing and outdoor activities with her family.