# Don’t Get Left Behind – More Advisors are Outsourcing Investment Research

by Joe Cortese, Partner, Senior Consultant

In the ever-evolving world of financial advisory services, firms are navigating a complex landscape marked by regulatory changes, market uncertainties and technological advancements. Amidst these challenges, a noteworthy trend is gaining momentum - the increasing adoption of outsourced investment research solutions. According to a recent FlexShares study, “50% of all respondents, and 59% of RIAs, report increasing utilization of outsourced investment management”[1]. This strategic shift reflects a dynamic response to the demands of a competitive industry to stay ahead of innovation, efficiency and specialized knowledge.

As global financial markets become more intricate and interconnected, the need for timely and accurate information is paramount for making informed investment decisions. However, maintaining an in-house research team capable of comprehensively analyzing diverse asset classes, global markets and emerging trends can be a resource-intensive endeavor. Outsourcing some, or all, of the investment research function is a strategy many wealth advisory firms are embracing for the following reasons:

## 5 Ways Outsourcing Adds Value

1. **Cost Efficiency and Resource Optimization:** Financial advisory firms are turning to outsourced investment research to optimize costs and allocate resources more effectively. By leveraging external research providers, these firms can access high-quality insights without the need to maintain an extensive in-house research team. This not only reduces operational expenses but also allows firms to reallocate resources to areas of true competitive advantage.

2. **Access to Specialized Expertise:** Outsourced investment research solutions provide financial advisory firms with access to specialized expertise across various asset classes and markets. External research providers often have dedicated teams with deep industry knowledge, enabling advisory firms to tap into a broader range of insights and strategies. This access to specialized skills enhances the quality of investment recommendations and can lead to more informed decision-making.

3. **Focus on Core Competencies:** As financial advisory firms strive to excel in their core competencies, outsourcing investment research allows them to concentrate on client relationships.

[1] *FlexShares, The Race to Scalability 2022: https://go.flexshares.com/hubfs/FS_Race%20to%20Scalability%202022.C.pdf*

By delegating research activities to external experts, firms can streamline their operations and focus on adding value to their clients.

4. **Risk Management and Compliance:** External research providers often have robust risk management and compliance processes in place. By outsourcing investment research, financial advisory firms can benefit from the risk mitigation measures implemented by these specialized providers. This is particularly crucial in an environment where regulatory requirements continue to evolve, and compliance is paramount.

5. **Accelerating Growth:** Viewed from the client's perspective, the most valuable aspect of the financial advisory partnership is the client-advisor relationship. To the client, the other aspects, including investment research and selection, are essentially commodities because they lack the specialized knowledge required to differentiate. Accordingly, it makes good business sense to outsource functions the client doesn't deem as essential and where the advisor lacks a clear competitive advantage. A Fidelity study reported, "On average, advisors utilizing investment outsourcing save nine hours per week."[2] Therefore, advisors that outsource may have more time to deepen the client relationships they currently have as well as more time to find new clients, thus accelerating growth.

The trend of financial advisory firms embracing outsourced investment research solutions underscores a strategic approach to enhancing competitiveness, managing costs and accessing specialized knowledge. As the industry continues to evolve, the collaboration between financial advisory firms and external research providers is becoming even more integral to success. Those firms that outsource successfully have the opportunity to increase client retention rates, improve investment outcomes and grow faster than their peers.



[2] *Fidelity Investments, The 2023 Fidelity RIA Benchmarking Study, page 3.*

## About the Author

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Joe joined Fiducient Advisors in 2008. He provides investment consulting services to other financial advisory firms as one of the leaders of Fiducient Advisors' Financial Institutions practice. Joe also provides consulting services to family offices, high net worth individuals and nonprofit organizations. He gives advice and expertise on all facets of effective investment program design including establishing investment objectives, asset allocation and portfolio design, investment research and due diligence and overall practice management.

Prior to joining the firm, Joe worked for Morgan Stanley's Private Wealth Management Office and as a Managing Director for an investment management firm implementing a value-focused, long/short equity strategy based on University of Chicago Booth research. Joe earned his MBA with concentrations in Analytic Finance and Accounting from the University of Chicago Booth School of Business and a BBA with a Certification in Entrepreneurial Management from the University of Iowa. Joe is a former member of UNICEF's NextGen Junior Board and the University of Iowa's J.P.E.C. Alumni Board, as well as Co-Founder of the Hawkeye Business Development Group of Chicago. Joe is currently serving as President of the University of Chicago Booth School of Business Alumni Club of Chicago and as an elected member of River Forest School District 90 Board of Education.