

# How Financial Advisors Can Use Automation to Streamline Taxes

Written by

**ALT**EXCHANGE

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## Introduction

**You can differentiate in the competitive advisory industry by delivering extra value-added services, with less effort than ever before.**

As a financial advisor, providing a top-notch client experience is crucial. In fact, a study by Deloitte found that 60% of clients are willing to pay higher fees for financial advisory services if they receive a superior experience, indicating that positive client experience can drive pricing power for financial advisors.

One key area that can set an average client experience apart from a superior one is assisting in helping your clients manage their investment tax documents. While managing your clients' tax documents is often time-consuming and complex, with the advancement of technology and automation, financial advisors can now streamline their tax process, saving time and effort, while providing a better experience for their clients.

Here, we explore the benefits of using automation to help financial advisors with their clients' taxes, and how AltExchange, a cutting-edge technology platform that automates alternative investments, can be a valuable tool in achieving this goal.



## CHAPTER 1

# Leveraging Automation to stay ahead of the competition

In today's highly competitive financial advisory landscape, staying ahead of the competition is crucial for success. Financial advisors face numerous challenges, from increasing client demands to evolving regulatory requirements. However, those who embrace automation as part of their practice can gain a competitive edge, especially when it comes to automating taxes, a service that not all advisors offer.

## Why Financial Advisory is Competitive Right Now

### Higher client expectations

The financial advisory industry has become increasingly competitive due to various factors. First, clients have higher expectations when it comes to the level of service they receive from their financial advisors. They demand personalized and convenient experiences, and are more likely to switch advisors if their needs are not met.

According to a study by Accenture, 73% of investors expect their financial advisor to understand their individual goals and provide tailored advice. This puts pressure on financial advisors to deliver a high level of service to retain clients and attract new ones.

### Stricter regulations

Second, regulatory requirements in the financial advisory industry have become more complex and stringent. Advisors need to comply with regulations such as the Securities and Exchange Commission's (SEC) Regulation Best Interest (Reg BI) and the Department of Labor's fiduciary rule, which impose higher standards of care and increased transparency. These regulations require financial advisors to closely monitor and document their interactions with clients, which can be time-consuming and labor-intensive.

### Lower-cost technology solutions

Furthermore, the growing availability of robo-advisors and other automated investment platforms has intensified competition in the financial advisory space. These platforms leverage technology to offer lower-cost investment solutions and streamline processes, appealing to cost-conscious investors. To remain competitive, financial advisors need to find ways to differentiate themselves and deliver value-added services that set them apart from automated solutions.

## How Automation Can Help Financial Advisors Get Ahead

Automation can be a powerful tool for financial advisors to streamline their operations, enhance their client experience, and ultimately gain a competitive edge. By automating routine tasks, advisors can save time, reduce manual errors, and focus on more value-added activities, such as building relationships with clients and providing specialized services like tax planning. Automating taxes, in particular, can be a game-changer for financial advisors, as it is a service that not all advisors offer, and it can provide significant benefits to clients.

### Streamline processes

However, many advisors struggle with the time-consuming and complex process of collecting tax documents from clients, which can lead to delays and errors. By leveraging automation to collect tax documents, especially when it comes to alternative investments, financial advisors can streamline this process, reduce administrative burden, and provide a more convenient experience for their clients.

### **Increase client satisfaction**

Automation can also help financial advisors stay ahead of the competition by improving client engagement. With automated tax services, advisors can proactively identify tax planning opportunities for their clients, such as harvesting tax losses or optimizing retirement account contributions. By providing that extra layer of service, advisors can demonstrate their value and deepen client relationships, which can lead to increased client loyalty and referrals.

### **Enhance compliance**

Moreover, automation can enhance compliance efforts, which is critical in today's regulatory environment. Automated tax services can help advisors maintain accurate and up-to-date tax records for their clients, which can be used to demonstrate compliance with regulatory requirements.

Additionally, automation provides a robust audit trail, documenting all interactions and activities related to tax planning, which can help advisors meet their fiduciary obligations and mitigate compliance risks.

# The Changing Landscape of Tax Management for Financial Advisors

Tax management in the financial services industry has undergone significant changes in recent years, particularly with the increasing use of automation to streamline the process. Gone are the days of manually collecting and organizing tax documents, spending countless hours on data entry, and struggling to keep up with ever-changing tax laws.

Today, with the advent of automation, financial advisors can streamline their tax process, reducing the burden of manual tasks and minimizing the risk of errors.

Here are some key changes that have taken place over the last few years:

## 1 Automation of tax preparation:

With the advent of tax automation software like AltExchange, financial advisors can automate the tax document collection and distribution process, making it faster and more efficient. This has resulted in greater accuracy, reduced risk of errors, and increased productivity.

## 2 Real-time tax calculations:

Tax management software can perform real-time tax calculations, which means that financial advisors can provide their clients with up-to-date tax information and advice. This allows advisors to provide more accurate and relevant advice, helping their clients to make better decisions.

## 3 Integration of tax management software with other financial tools:

Tax management software can now be integrated with other financial tools, such as accounting and financial planning software. AltExchange allows advisors and clients to invite their CPAs, in addition to integrating with their existing wealth management software. These integrations enable a fluid experience for advisors, investors, and CPAs when it comes to managing taxes for investments.

## 4 Increased focus on tax planning:

Automation has made tax planning more accessible and cost-effective for financial advisors, leading to an increased focus on this area. Tax planning involves looking ahead and taking proactive steps to minimize tax liabilities, rather than simply reacting to tax obligations after the fact. This can result in significant cost savings for clients.

Overall, automation has significantly transformed tax management for financial advisors in recent years, making the process faster, more accurate, and more efficient. It has also allowed advisors to provide more comprehensive advice to their clients, helping them to achieve their financial goals.

**CHAPTER 3**

# The Benefits of Automation for Financial Advisors

The use of automation in tax management, especially when it comes to alternative investments which are highly manual in nature, offers a plethora of benefits for financial advisors.



Let's take a closer look at some of the key advantages:

**BENEFIT 1:**

## Time-saving

Time is a valuable resource for financial advisors, and automation can significantly reduce the time spent on manual tax-related tasks. With technology platforms like AltExchange, financial advisors no longer need to spend hours collecting and organizing tax documents, tracking deadlines, or following up with clients.

Depending on the volume of your client base, you can save up to hundreds of hours per year simply by using automation to help streamline your tax process.

“

**“ I personally save five hours per client, per year collecting tax documents with AltExchange. ”**

**BRIAN**  
\$15 billion AUM RIA



The platform's automated syncing and notification system streamlines the process, freeing up time for financial advisors to focus on more strategic and value-added activities, such as providing personalized advice to their clients, building relationships, and growing their business.

**BENEFIT 2:**

### **Increased accuracy**

Tax-related errors can be costly and time-consuming to rectify. However, with automation, financial advisors can minimize the risk of errors. Manual data entry can be prone to mistakes, but with AltExchange's automated system, the data is captured directly from the tax documents, reducing the chances of transcription errors.

This increased accuracy ensures that financial advisors can provide reliable and precise tax information to their clients, minimizing the risk of compliance issues and potential penalties.

**BENEFIT 3:**

### **Enhanced client experience**

Providing a seamless and efficient tax process can greatly enhance the client experience. Clients appreciate when their financial advisors use technology to simplify their tax management, making it more convenient and hassle-free.

With AltExchange, clients receive instant notifications when new tax documents are available, allowing them to stay updated and organized. The platform also provides year-over-year distribution tracking and yearly percentage of tax documents collected, giving clients a clear overview of their tax situation.

Moreover, AltExchange allows clients to invite their CPA, further streamlining the process and ensuring that all parties are on the same page. This enhanced client experience can lead to increased client satisfaction, loyalty, and referrals.

**BENEFIT 4:**

### **Scalability**

Automation can greatly improve the scalability of a financial advisory business. Manual tax management processes can become cumbersome and time-consuming as the number of clients increases. However, with automation, financial advisors can handle a larger volume of tax-related tasks with ease.

AltExchange's automated syncing and notification system can handle a large number of tax documents, making it much easier to scale your business by increasing your volume of service, without any extra time involved.



**CHAPTER 4**

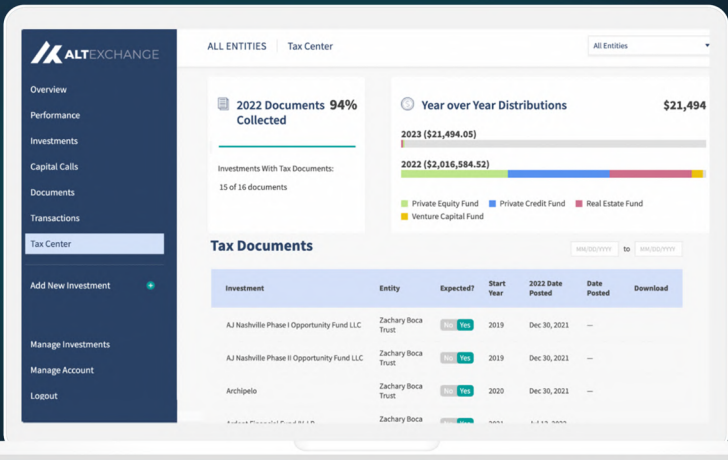
# How to Start Automating Taxes for Your Clients

In today's fast-paced and competitive financial advisory landscape, leveraging automation, particularly in the area of tax services, can give financial advisors a significant strategic advantage.

AltExchange, an alternative investment technology company that automates alternative investments and tax document collection for financial advisors, is a valuable solution for advisors looking to embrace automation, enhance their client experience, and stay ahead of the competition.

As mentioned in chapter 3, one Registered Investment Advisor with more than \$15 billion in assets under management reports that AltExchange's tax functionality saves him five hours per client, per year. That adds up to hundreds of hours per year saved, just on taxes.

Advisors can streamline the tax document collection process, provide timely and personalized tax notifications, and maintain accurate and up-to-date tax records for their clients.



AltExchange's Tax Center dashboard

## Conclusion

In conclusion, leveraging automation allows advisors to streamline operations, enhance the client experience, and gain a competitive edge. Offering automated tax services, in particular, can set advisors apart from their competition, as it is a specialized service that not all advisors offer, and provides significant benefits to clients.

Moreover, automation can enhance compliance efforts, helping advisors meet regulatory requirements and mitigate compliance risks.

Finally, automation allows advisors to save time, reduce manual errors, and focus on more value-added activities, such as building relationships with clients and providing personalized advice. It enables advisors to proactively provide in-depth financial planning opportunities for their clients, demonstrate their value, and deepen client relationships, leading to increased client loyalty and referrals.

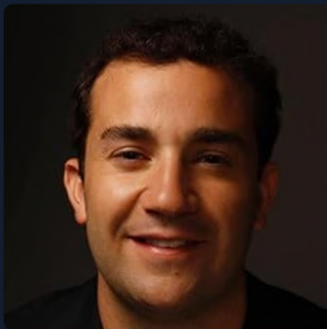
If you're an advisor looking to unlock the benefits of automation, keep your clients happy, and open up opportunities to win new clients in a rapidly-evolving industry, please **BOOK A DEMO** or reach out at [hello@altexchange.com](mailto:hello@altexchange.com).

## About the Authors

AltExchange was founded in 2021 by serial automation entrepreneur Zak Boca. AltExchange began as a solution to major roadblocks Zak encountered as an investor in alternatives himself.

Zak began his alternative investment journey in 2008, at which point he could not gain access to alts through his financial advisory firm, despite it being one of the largest and most reputable firms in the country.

Set to invest in alts, Zak began investing directly in private equity, but could never determine how the investments were performing due to lack of performance reporting and transparency from fund administrators.



Finally, Zak found two advisors, both of whose client minimums were \$10 million, to offer him exposure to private market deals. Even then, the service was inadequate: Limited performance reporting, missed capital calls, and a nightmare K-1 process, to name a few.

Zak finally hired a family office to help with capital calls...Even they missed them. Despite years of being pitched the same deal over and over by advisors, there was never a real solution for managing alts seamlessly.

Then AltExchange was founded.

AltExchange is the simple technology-powered solution that provides financial advisors the ability to easily manage alternative investments through seamless automation. AltExchange platforms, backed by a team of industry experts, allows financial advisors, investors, and asset managers to gain full visibility and transparency into all alternative investments, no matter how complex the portfolio.

With AltExchange, advisors can finally gain a holistic view into their clients' wealth, provide tailored solutions fit for each client, and incorporate highly-demanded alternative investments into their services – effortlessly.

For more information, please visit [www.altexchange.com](http://www.altexchange.com) or [GET IN TOUCH](#).