



Virtual Office News

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For Client-Centered Professionals Who Want to Cut Paperwork, Overhead and Wasted Hours

Online Backups (Part II of II)

by Joel P. Bruckenstein

This month, Joel wraps up his review of online backup services begun in the May 2004 issue:

@Backup

SwapDrive, the parent company of @Backup actually offers two distinct services: @Backup, and the SwapDrive service, which we will discuss next. Right now, @Backup is targeted at users with relatively modest storage needs. (Plans start at 50 MB for about \$4.16 per month, and top out at 2GB, although larger storage plans are scheduled to go on sale soon). @Backup offers a 90-day rolling history, so users can always access earlier versions of their files. This utility is appealing, but it adds somewhat to the cost of the service. For those who want them, CDs are available on a regular basis or on demand for an additional charge.

Quick Summary

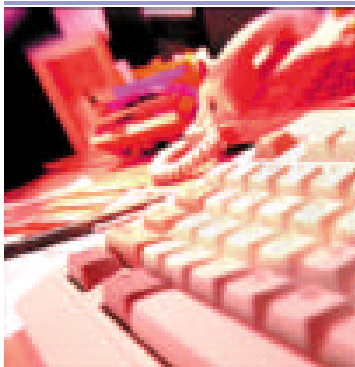
Type of Backup: Scheduled/Manual
Can access from a web browser: Yes
Compression/Encryption: Yes/Yes
Price for 2 GB/10 GB: \$995 annually/not currently available
Pricing based on: Uncompressed File Size

SwapDrive

SwapDrive offers features that @Backup does not, and it is cheaper, but @Backup looks to be a little more convenient as a "backup only" solution. In addition, @Backup offers a 90-day rolling history, but SwapDrive does not.

What you do get with SwapDrive is the added ability to share files with colleagues online. Users can drag and drop files to the Shared folder, where they can be viewed by others. Shared files can even be accessed wirelessly with a Palm PDA and some Blackberry devices.





The 2003 *Virtual Office News* Seal of Approval Award

Since the beginning of *Virtual Office News*, we've recommended CEO Image to our readers as a source for scanners and scanning software because the company has voiced an interest in serving the needs of independent advisors. CEO's President, Conrad Foster, has taken a personal interest in offering our readers outstanding service.

When we began testing scanning products, we received separately from CEO Image two Fujitsu 4120c scanners for testing. When the second one arrived, we noticed that it had far superior documentation than the first. Foster explained that the first scanner was shipped directly from Fujitsu; the second one came via his firm. The additional documentation, it turned out, was prepared by his firm and is shipped with the scanners to his customers who buy the Fujitsu scanner through CEO Image. Fujitsu provides much better than average technical support for its scanners, but CEO Image has its own support staff and it does an outstanding job (continued at next sidebar)

Online Backups... *Continued*

This product is available in single user and "corporate accounts" versions. The corporate accounts allow you to purchase blocks of storage, then create and manage unlimited users in your own domain. CD backups are available.

Quick Summary

Type of Backup: Scheduled/Manual

Can access from a web browser: Yes

Compression/Encryption: Yes/Yes

Price per month for 2 GB/10 GB: \$50/mo., \$500 annually individual plan, \$65/mo., \$650 annually corporate plan 2 GB/ N/A individual, \$280/mo., \$2800 annually 10 GB

Pricing based on: Uncompressed File Size

Xdrive

Xdrive offers two services: Xdrive Plus and Xdrive for Workgroups. The difference is that the latter allows a company to buy space in bulk, and then manage accounts of employees. Administrators can generate usage reports. The service provides both online backups and file sharing capabilities. Xdrive can be operated from either a web browser or a software applet; the applet is used to schedule automatic backups; it also simplifies other tasks such as file sharing. With the applet installed, users can "save" files directly to Xdrive or "drag and drop" files to Xdrive.

Considering the fact that Xdrive has received quite a bit of press over the last few years, I was surprised to see that only one advisor wrote to me about it. According to Jim Blankenship of Blankenship Financial Planning, Ltd. in New Berlin, Illinois: "I've been using Xdrive for backup and file portability for about six months now. The file portability feature (being able to access files stored online from virtually anywhere) works exactly as I'd hoped.

Jim has had some minor issues with the backup feature, but they appear to be unique to his computer. Technical support has helped him with a work-around, but they have not been able to totally resolve the issue to his satisfaction yet. Overall, however, Jim says that he is happy with the service.

Xdrive does not offer to ship backup disks as part of their service.

Online Backups... *Continued*

Quick Summary

Type of Backup: Scheduled/Manual
 Can access from a web browser: Yes
 Compression/Encryption: No/Yes
 Price per month for 2 GB/10 GB: \$29.95/mo. or \$299.50 annually for plus service/ \$337/mo. or \$3,370 annually for workgroup with 15 GB of storage and up to 50 users.
 Pricing based on: Uncompressed File Size

E-Vault Small Business Edition

This is another service that was suggested to us by readers. It looks to be a little more geared to backing up networked devices than to individual PCs. Robert Keats, of Keats Connelly and Associates, Inc. in Phoenix, AZ, says "We have been using E-Vault for just under a year and we are quite happy with it but we have only done limited testing of how easy it is to retrieve backed up data. We are going to do a full test now that we have upgraded our servers." The service looks to be fairly priced; it is not the cheapest, but it is not the most expensive either. E-Vault generally does not offer to ship data on disks, but in a severe emergency they can send out all of your data on an NAS (basically a dumb, portable server) device for an additional charge.

Quick Summary

Type of Backup: Scheduled/Manual
 Can access from a web browser: No
 Compression/Encryption: Yes/Yes
 Price per month for 2 GB/10 GB: \$85 for up to 5 GB /\$165 mo 10 GB
 Pricing based on: Uncompressed File Size

LiveVault

When we last examined Live Vault, Dave called it "a Cadillac service". It is more expensive than some competing services, but what you get for your money are continuous back-ups and a 30 day history (with the option of expanding that to a full year at an extra charge). You also get the MyLiveVault Web Portal, which allows you to monitor and control the backup process from any Web browser. Like a number of other providers, LiveVault uses software to detect changes to your files, and only backs up the incremental changes. The firm uses a three layer security system to transmit data over the Internet. This includes a VPN tunnel, encryption, and digital certificates. In addition, a professional



The 2003 *Virtual Office News* Seal of Approval Award (Cont'd)

of supporting everything it sells.

Virtual Office News readers have purchased the 4120c and CEO Image's scanning software -- "Executive Assistant" -- and the feedback with regard to tech support and service has been uniformly positive. These days, in a world where good service and support are hard to come by, CEO Image truly stands out from the crowd.

As for the Fujitsu 4120c, it is simply the best scanner in its class. Joel has reviewed it on a number of occasions, and also tested numerous competitors, and we continue to believe that this is the best scanner in its category by a wide margin. Fujitsu also provides very good tech support, but we recommend that readers purchase through CEO Image because they will not only receive a *Virtual Office News* discount, but will also benefit from CEO Image's outstanding support.

For these reasons, *Virtual Office News* awards its 2003 Seal of Approval to CEO Image and to the Fujitsu company.

Online Backups... *Continued*

monitoring staff is supposed to keep an eye on your backup process to make sure that it is functioning smoothly. Of course, this level of service comes at a price: \$199 per month for “up to 10 GB.”

If disks or an NAS is requested, the company will supply them at an additional cost. The current price for an NAS is \$400; Disks cost \$25 per GB.

Quick Summary

Type of Backup: Continuous

Can access from a web browser: Yes

Compression/Encryption: No/ Yes

Price for 2 GB/10 GB: \$199 per month for up to 10 GB

Pricing based on: Uncompressed file size

FileShuttle.com

FileShuttle is an intriguing option for the mobile planner, and possibly the planner who employs virtual work partners as well. The service is targeted at individuals, with storage offerings of as little as 100 MB (5.95 per month). 500 MB will cost you \$15.95 per month, and 2 GB service is available for \$30.95 per month. FileShuttle backs up your files to a server as the other services do, and you can optionally encrypt backups, but my sense is that this service is not quite as sophisticated as some of the others, although I may be wrong.

So what is it about this service that intrigues me? A couple of things. First, FileShuttle claims that you can retrieve your data from “any computer or handheld device” using a Web browser and an Internet connection.

More important, FileShuttle allows you to synch all of your files on multiple computers remotely, provided an applet is installed on all of the machines you want to synchronize. So, for example, let’s say you work out of the office regularly. You change existing files or create new ones, and then you back them up to the FileShuttle service. Assuming your other computers (at home or at work) are online, they will automatically be synchronized with the updated data on your laptop.

FileShuttle performs this magic using servers powered by Novell iFolder technology. Without going into the technical details, only the iFolder is monitored and synched. So if data are stored in the iFolder, changes are automatically reflected on the other connected computers. If you don’t want a file updated on the other machines, you simply save it to a different location on your hard drive.

As a practical matter, I can see a number of applications for this service. For readers who work from multiple locations, this is a great way to both back up the data you have with you when you are away from the primary location, and it is a great way to make sure that all files you want to be synchronized are synchronized.

Online Backups... *Continued*

Another application could be to use the service in conjunction with a virtual work partner. The VWP is given access to an iFolder that you create for them and, as either of you makes changes to the data, all computers linked to the iFolder will be automatically synchronized. The result would be that all parties have access to the latest data at all times. Assuming that only a couple of projects are being worked on at any given time, it might cost as little as \$5.95 per month for this convenience, a reasonable cost indeed!

This service is not necessarily the ideal primary online backup solution, but it may be sufficient for some. If you occasionally take work on the road, however, and you want a secondary backup solution, this service looks to be a cost-effective solution because you will only be backing up and synchronizing a limited number of files. When you consider the added utility of the synchronization feature, and the ability to access files from any web browser, FileShuttle represents a good deal for the road warrior.

Quick Summary

Type of Backup: Manual sign-in to the service/constant synchronization while connected to the service.

Can access from a web browser: Yes

Compression/Encryption: Yes/Yes (optional 128 bit Blowfish)

Price for 2 GB/10 GB: \$30.95 mo. For 2 GB / 10 GB-negotiable

Pricing based on: Uncompressed File Size

Recommendations

At first glance, all online backup providers may appear very similar. They all offer an offsite place to store data, but beyond that there are differences. Some charge based on the amount of compressed data you store, and some charge based on uncompressed data, creating huge price discrepancies in some cases. A number of providers archive your data for various periods of time; some don't. LiveVault offers continuous backups, but you do pay a premium for this service.

Since data protection is such an important issue these days, I suggest you judge providers primarily on their backup and recovery prowess. By that measure, of all the providers we looked at, DATABarracks, a relative unknown, stands out. It has a uniquely secure physical plant, excellent encryption and good compression technologies. Its pricing is very reasonable, especially since you are only paying for the actual space you use on their servers. They offer seven years of archiving at no additional cost, and, in the case of a disaster, they will supply disks, and in some cases a technician, at no extra charge.

Quite a few readers recommended Connected.com. The feedback on this firm was universally positive. Their pricing is reasonable, and their service probably provides enough to meet the needs of readers, so we think they are worthy of consideration as well.

Xdrive appears to be a good value since it offers the ability to back up files, share files, and collaborate (on the workgroup plan). Users will have to weigh the merits of DATABarracks security,

Online Backups... *Continued*

archiving, location, etc. against the added utility that Xdrive provides.

The other product that stood out from the crowd was FileShuttle. As we noted above, this one is more of a "special situation" pick. It would not be my first choice solely for backing up; however the file synchronization features could be a real godsend to the road warriors among us.

In summary, there are a number of good, reasonably priced online backup options available to readers. For those who are strictly interested in online backups, I'd look to DATABarracks and Connected.com first. Those who want file sharing and synchronization features should look to Xdrive. If constant synchronization is a must, LiveVault should be suitable. Finally, if file synchronization appeals to you, check out FileShuttle.

Disaster planning means much more than just protecting your computer files. Hopefully, most of you already have a plan in place. But if you (or your clients) need a good starting point, check out the Disaster Preparedness portion of the SBA website (<http://www.sba.gov/disaster/getready.html>).

* * *



Virtual Office Focus: Cornerstone Wealth Advisors, Inc. *by David J. Drucker*



It's always interesting to me that the studies Moss-Adams does for the FPA each year on the profitability of different types of financial advisory firms fail to acknowledge the virtual office phenomenon. Moss-Adams collects its data and then slices and dices it a hundred different ways but, do they ask about the expense structures of firms that use paperless technology, that have remote workers, that use Virtual Work Partners? No. We don't exist.

Maybe it's just a numbers thing. Surely, Mark Tibergien knows we're out here creating efficient practices. But maybe he just doesn't think there are enough of us to bother capturing our statistics in the Moss-Adams studies. Don't you wonder what those statistics would look like if he did, though?

Well, we're going to take a glimpse at one set of numbers. Meet Jonathan Guyton, CFP® and principal with Cornerstone Wealth Advisors, Inc. in Edina, MN. Actually, many of you probably already know Guyton since he's long been active on national and regional FPA governing bodies, so he gets a fair amount of press. Like many of us, though, Guyton runs a relatively small firm — what would normally be five people except for the outsourcing he does.

Cornerstone employs three full-time equivalents or, says Guyton, "Exactly three humans, including me. Two are CFPs and the third has passed the exam and will fulfill his experience requirement in about a year." Between them, they take care of all of the firm's planning and advisory functions.

In addition to these folks, Cornerstone outsources the equivalent of two more full-time positions, by Guyton's calculations. His math goes something like this:

- Bookkeeping and preparation of executive-level accounting reports is outsourced to Tracy Soulsby who does the work of half an employee;
- One full-time position is saved by using AdvisorMart rather than downloading portfolio information into a local server;
- And the other half-time position is represented by the receptionist Guyton chooses not to employ.

He and his associates fill in any gaps that exist in the above three scenarios to make them whole. Let's examine each one in more detail and you'll see what I mean.

As to his bookkeeping, says Guyton, "I told Tracy [Soulsby] I don't want to personally want to have to go into QuickBooks." So Cornerstone employees scan bills to be paid locally and put them in a folder that Soulsby accesses with GoToMyPC. Most of Cornerstone's clients pay its fees via their custodial accounts; Guyton calls himself the Accounts Receivable Department for the five to eight percent of clients who insist on sending in checks to pay their fees. All other internal account/controller functions are performed by Soulsby.

Cornerstone Wealth Advisors, Inc.... *Continued*

For portfolio reporting, Guyton uses the AdvisorMart which its owner, Advent, describes as “a secure, hosted online consolidated reporting and portfolio management system.” So, instead of downloading data into portfolio software, they use AdvisorMart, thereby saving the equivalent of one full-time position in the form of someone not needed to do reconciliations and quarterly reporting.

As for his receptionist, or lack thereof, Guyton says, “When clients call in, I want them to immediately speak to someone who can answer at least 80 percent of their questions, so my two staff — one a CFP and the other a CFP-certificant — take all the incoming calls. That saves me another half person.”

Now, at the NAPFA Advanced Planner’s Conference in Charleston in February of this year, NAPFA member Dick Bellmer presented some practice management stats he’d collected from attendees prior to the conference. Says Guyton, “I drew on these because I was curious to see how they’d come out for us.” Guyton was particularly interested in comparing one key statistic: how many clients a financial advisor can serve.

In an article Bob Veres wrote for his newsletter, *Inside Information*, following the conference, Veres looked at average revenues and costs per employee according to Bellmer’s numbers. Using Veres’ calculations, Guyton then compared his firm on a per-employee basis to the NAPFA firms. Here’s the comparison as Guyton sees it:

	NAPFA	Guyton
Employee FTEs	5.0	3.0
Outsourced FTEs	0.1	2.1
Revenue per Employee	\$163,000	\$272,000
Staff Costs / Gross Revenue*	33%	22%
Rent / Gross Revenue	5.4%	4.7%
[Owner Comp + Profit] / Gross Revenue	40-50%	64%

*Staff cost includes all outsourcing costs.

The NAPFA respondents aren’t outsourcing to any degree, so a firm comparable to Guyton’s would have five employees to Guyton’s three plus two outsourcing positions. Revenues would be comparable across the firm, but Guyton would be producing his with two less employees. That’s fine, you say, but how about expenses; don’t outsource partners cost a lot? No, they don’t. Guyton’s total staff costs, including the costs of outsourcing, are 22 percent of revenues for Guyton vs. 33 percent for the NAPFA firms.

You may have misgivings about some of these calculations, and perhaps we could debate methodologies, etc., but the bottom line pretty much says it all. Guyton takes home 64 percent of his gross vs. only 50 percent for the other firms.

Now, the more astute among you should by now be questioning Guyton’s capacity. Sure, he outsources, but what’s his capacity for taking new clients while serving existing ones? And what’s

Cornerstone Wealth Advisors, Inc.... *Continued*

his personal life look like?

Says Guyton, "I find that I can have eight client meetings per week. That's 352 per year, assuming I work 44 weeks. Currently, I have 156 households that I see semi-annually, using 312 of those slots. Average revenue per client is \$5,200. And I am *not* an overworked advisor. In the last 12 months I played 55 rounds of golf, was a Residency Mentor, submitted an article to the *Journal's* 'Call for Papers' competition, and attended four professional conferences."

In his conference summary, Veres said the typical advisor can deal with 100 clients, though some said they could handle as many as 125 if they worked non-stop. But Guyton says he never feels overworked. "I don't do a lot of things because each of my two people are involved in every client interaction, and that changes the whole dynamic. I don't think our profession has fully explored the difference it can make in a mature practice to have 'second-level professional people' who are highly competent professional planners. [There's] no way I could do what I do if I didn't have their skill level to work with every day." Bottom line... Guyton challenges the notion that an advisor can only work with 100 clients. With a similar fee structure as the other advisors, Guyton says, "I'm just serving more clients with less overhead."

So this is very interesting, but is there another, even more intriguing, dimension to all of this that's lurking just below the surface? Suppose Guyton employed the traditional model, that is, he had five employees instead of three. and didn't outsource? "The number of clients I could work with would probably be lower, but not by more than 10 percent because the only thing that would change is I'd have more people to manage. It wouldn't change the capabilities of my two key people," to which he attributes much of his productivity.

But here's the kicker... something Guyton realized during a conversation with the always-thought-provoking Dick Wagner of WorthLiving, LLC in Denver, CO: the number of human relationships in your firm grows disproportionately to growth in your number of employees. If there are three people in an office, there are only four relationships going on (A with B, B with C, C with A, and everyone as a group). If you add one more person, you get seven relationships. If you add yet another person for a total of five, you've got 11 relationships. In other words, you've got one, two, four, seven, and 11 relationships as you move from a sole practitioner to a five-person firm. It's *not* straight-line growth, although it may seem like it if you don't take the time to analyze it.

Now, if instead of adding a fourth employee to a three-person firm you add an outsource partner, you don't have the same growth in complexity. "If the additional person is Tracy," says Guyton, "she's not here 40 hours a week. There are no issues of employee management, such as, is she getting to work on time, etc., etc. It's not the same as adding another on-site person."

How does Guyton decide what to do in-house and what to outsource? He breaks it down between advisory and non-advisory functions. "The former is anything having to do with the client from an address change to involved planning. A non-advisory function is everything else I need done or clients need done, like the controller function or the daily reconciliation of portfolios. The client needs to know his portfolio is current, but he doesn't care who does it or where it's done. So, as I see it, the advisory side should be done by people in the office. Otherwise, I'm

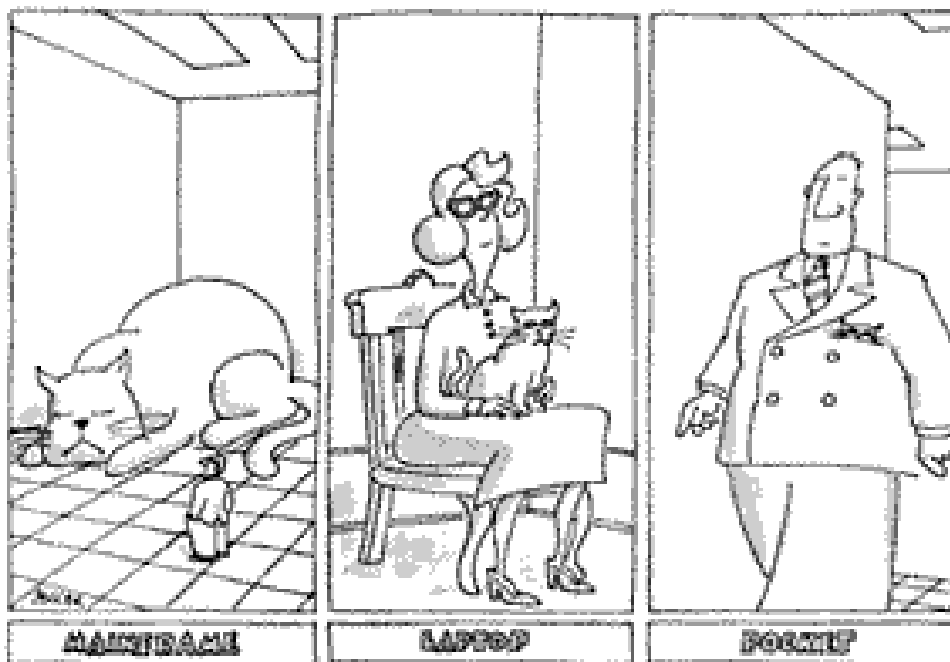
Cornerstone Wealth Advisors, Inc... *Continued*

going to outsource as much as possible,” Guyton explains.

So a formula is emerging here... a small group of highly-qualified professionals outsourcing non-advisory tasks. How does a large firm apply this formula? Simple — teams. Let’s say the firm has 500 high net worth clients instead of Guyton’s 150. Maybe there are three or four teams and each one looks just like Guyton and Mike and Adrian, his two staffers. The firm would still outsource non-advisory tasks, and would probably need a managing partner or director of operations to coordinate the teams, at least insofar as it would be desirable to employ firm-wide procedures across all teams.

Guyton, who’s in a study group with Roy Diliberto, a planner most recently known for his innovative life planning strategies, says Diliberto’s firm is experimenting with teams. However, they weren’t doing much outsourcing. Guyton suggested he try it, and now Diliberto is working successfully with Tracy Soulsby.

All of the synergies of outsourcing have not yet been discovered. Through the open-mindedness of you, our readers, and advisors like Guyton, more and more evidence will be developed confirming the efficiencies outsourcing provides — some of which are still more intuitive than verifiable. Our goal is to shepherd this phenomenon to its logical conclusion where its benefits are so apparent that even Moss-Adams honors it with a separate status within the FPA studies.



New Entries to the Virtual Resources List

Between issues of *Virtual Office News*, we often hear of new virtual tools that we add to our Virtual Resources List (which you should know, by now, is always available *for subscriber eyes only* at <http://www.daviddrucker.com/files/Virtual%20Resources%20List.doc>).

Since you probably don't check the Virtual Resources List as often as we update it, we will occasionally list for you the newest entries. Recent entries you may not be aware of are...

Retired:

Audrey Wehr Jones, CFP, has expertise with MoneyTree Silver, Financeware, Financial Profiles and CFS Tax Tools, 716-764-9995, awjones@rochester.rr.com

[Disclaimer: Neither *Virtual Office News* nor its principals take responsibility for the acts of product or service vendors recommended herein. It is the sole responsibility of the reader to perform all necessary due diligence in determining that these vendors are appropriate to their needs and the needs of their clients.]

Conference Sightings

During the next 12 months, Dave and Joel will be appearing and speaking at the following conferences:

- June 3-5, 2004, Association of Professional Investment Consultants, Ritz-Carlton, Bachelor Gulch, CO (Joel)
- June 10, 2004, ProEquities, Orlando, FL (Dave & Joel)
- June 11, 2004, Pershing Conference, Hollywood, FL (Joel)
- September 19, 2004, Cambridge Advisors, Vail, CO (Dave & Joel)
- September 23, 2004, Illinois FPA (Dave & Joel)
- October 6-7, 2004, Financial Advisor Symposium, Chicago, IL (Dave & Joel)
- November 4-6, 2004, NAPFA South Region Conference, Lake Buena Vista, FL (Dave & Joel)

Q&A With Joel & Dave

Question: As a sole practitioner I really enjoyed your article [Part I] on backing up and it raised a question for me. My computer is set up with dual RAID drives, with the second drive serving as a mirror for the first drive. I purchased this specifically to ensure my backup issues were resolved with minimal effort on my part. What do you think of this setup? Would you still recommend that I consider an additional external drive?

Joel: A RAID array, such as the one you are using, is a good first step, but it is not foolproof. RAID will protect against a hard drive failure, but it may not help in the case of a virus. If a vandal breaks into your office and steals the computer (I just heard of two real-life cases similar to this last week), what will you do then? What happens if there is a fire in the office? I think you get the idea. As a general rule, with all of the various threats out there, I recommend at least a two-pronged backup strategy. For a sole practitioner, an external hard drive (or two that can be rotated) looks like a cost-effective solution. You can carry one with you off-site each night. Online backups are another option.

Question: I'm in the market for a new cell phone and currently don't use a PDA. Based on your article in MorningstarAdvisor.com, the Treo 600 looks like it may work for me. I use Junxure-I. Can Junxure and Treo 600 talk (sync) to each other?

Dave: I'm pretty sure Junxure-i doesn't yet sync directly with Palm PDAs, although the company knows it's something users want. I think, right now, you can export Junxure data to Outlook, and then sync Outlook with your Treo or other PDA.

Ken Golding (Junxure-I programmer): Officially, you are correct Junxure does not sync, only export to outlook. However, I am testing an addition to Junxure that will fully sync contacts with contact info in Outlook. You can then sync with a PDA and all changes will flow back into Junxure.

Here are the parameters of how it works.

1. Contacts added in Junxure Appear in Outlook
2. Contacts added in Outlook appear in Junxure
3. Contacts edited in Junxure propigate changes to Outlook
4. Contacts edited in Outlook Propigate changes to Junxure
5. Contacts deleted in Junxure get deleted from outlook
6. Contacts deleted in Outlook Remain in Junxure (We never delete from Junxure)

All changes are prioritized via a timestamp on each record and the most recent prevails. This is something that is currently written and will be in our next release.

Question: My question is, when using YieldQuest in client portfolios, do you still get AUM fees for those assets? Is it at a reduced rate?

Q&A With Joel & Dave ... *Continued*

Dave: Everyone uses YieldQuest differently. My particular arrangement is that YieldQuest keeps my clients' accounts balanced and, in the process, charges tradeaway fees and commissions directly to my client. As for me, I don't use an AUM fee structure; I use flat retainer fees. If I were charging AUM fees, YieldQuest wouldn't be getting a certain number of basis points against my AUM; they'd still just be charging their commissions.

Followup Question: Is your retainer fee reduced because of the management by YieldQuest. I seem to be getting a backlash from clients thinking that I am charging them twice if YieldQuest gets their deserved commissions and I get my AUM fees on the same money. I try to justify it by telling them that it would probably cost more if I did it and they are really saving themselves money. Does that sound correct?

Dave: Yes, that's correct. What's happening is the clients are getting a better return, *net* of YieldQuest's commissions and tradeaway fees, than you could provide after the (perhaps) slightly smaller commissions your custodian would charge your clients. That's how I've explained it. However, my clients have never given me grief over it, so maybe the information you're giving clients is confusing them, or maybe you just have clients who are more inquisitive than mine.

The VON Survey of the Month

Each month, we will give you the opportunity to take a one-question poll. The questions will sometimes deal with services we'd like to offer, and other times about virtual office practice management issues. In one case, you will be helping us determine whether a service we have in mind will provide sufficient value to both you and to us. In the other case, we'll be gathering practice information that can assist you in evaluating your own practices and whether you would benefit from doing something differently. Poll results will also be used to formulate future story ideas. We welcome your suggestions for upcoming poll questions.

This month's poll asks "**Of all the technology products that I currently use in my office, I am *least* satisfied with my...**"

...and you can take the poll by clicking on <http://www.pollmonkey.com/p.asp?U=4845011622>

Guest Columnist: *Tracy Soulsby, CPA*



IS IT TIME FOR A VIRTUAL CONTROLLER? IMPROVING THE ACCOUNTING PROCESS

When you think of “accounting” what comes to mind? If you’re like most, the idea of accounting might conjure up something like “nails on a chalk board.” Most people would rather have a root canal than tend to the books. Sigh. Accounting gets so little respect.

All kidding aside, accounting is a basic but important function for every business, large and small. It is the foundation for understanding a business’ financial condition, which facilitates sound business decisions. And good books will help keep the SEC and the Tax Man happy.

As we all know, there are only so many hours in a year. Many advisors who began their practices by doing everything themselves are now realizing that, one, they don’t like accounting and, two, even if they *did* they don’t have time to keep up with it. Larger firms are focusing on streamlining the process, questioning if permanent accounting staff is still necessary. As a result, more and more advisors are outsourcing part – or all – of the accounting process.

A Virtual “Controller”

Our office refers to an outsourced accounting provider as a “virtual controller,” an extension of each client’s own business – an important mindset when entrusted with a company’s financial business.

The virtual controller can be involved in the accounting function as much or as little as you like; the relationship should be tailored to meet *your* specific needs. Truly, no two clients’ accounting “situation” is identical.

How Does It Work?

There are two basic ingredients of an outsourced accounting relationship: 1) the virtual controller must have access to the company’s accounting system and 2) data must be shared in an efficient manner.

1. **Accounting file access** - All of our clients use some version of QuickBooks, and we access their company file using GoToMyPC. Some clients have a dedicated PC that we can access at any time; if not, we coordinate our schedule with them for computer access. Working directly on their PC is ideal, as the accounting file is updated real-time with no need to “swap” files.

Tracy Soulsby, CPA . . . *Continued*

Another workable solution is to periodically swap “backup files,” where we update QuickBooks on our computer and email a backup file to the client. In turn, they email us a backup file containing subsequent changes they have made, and so on. (This is a workable arrangement *only* for small firms who need infrequent updating, e.g. monthly, but requires caution in order to avoid file overwrite mishaps).

- 2. Sharing data** – An easy way to share accounting input is for the client to store scanned documents on their PC, which the provider retrieves via GoToMyPC. Our clients use three folders – one for holding documents “to be entered,” a second one to hold those documents once they are “in progress,” and a third one where we move “completed” documents. The client knows that documents in the “completed” folder are ready to be permanently archived or deleted.

For smaller firms with whom we swap QuickBooks backup files, they either email or fax their documentation to us as they receive it.

Also, where possible, we download information from the Web (e.g. bank statements, credit card transactions, payroll data), reducing the amount of data the client must provide to us directly.

Now that you have an idea of how information is shared, perhaps you are wondering what a real-life virtual controller arrangement is like. Following are two actual scenarios from our office:

Client ‘A’ - Four advisors, 10 employees

- We log on to the client’s PC every Monday and Thursday.
- From their desktop we print vendor bills and enter them into QuickBooks.
- We print bank deposits detail, apply the payments to receivables and post the bank deposits.
- In QuickBooks, we flag vendor invoices that are due and transmit electronic payments of those invoices. Online payments are sent to vendors and recorded in QuickBooks in one automated step.
- Credit card transactions are downloaded into QuickBooks.
- Each pay period, we log on to the company’s online banking website, verify funds and, if necessary, move funds from a money market account to the checking account.
- We log on to the outside payroll service’s website, transmit payroll and download the payroll transactions into QuickBooks.
- Each month we download bank statements and reconcile the bank accounts.

Our services enabled Client ‘A’ to save approximately \$40,000 in payroll costs - after our fees.

Tracy Soulsby, CPA . . . *Continued*

Client 'B' – One advisor, no employees

- Client B emails input to us throughout the month, as he receives it.
- He emails a QuickBooks backup file at the middle of each month.
- We update the QuickBooks file with the information he has sent to us (e.g. cash receipts and manual checks he has written).
- Credit card transactions are downloaded into QuickBooks.
- We reconcile the bank and credit card accounts.
- We review past due accounts and send reminder statements to his clients.
- Each quarter, based upon Client B's retainer fee schedule we prepare and mail customer invoices on his behalf.
- We provide an updated backup file to Client B.

Our services enabled Client 'B' to direct eight hours per month and an additional six hours per quarter toward more productive activities.

Keys to Efficiency and Success

When outsourcing the accounting process, the key to efficiency is to *have a systematic, consistent method of working*. For example, if the provider is responsible for entering vendor bills and transmitting online payments each week, he or she should receive the information needed (i. e. bills) in the prescribed manner (e.g. in the "to be entered" folder) to do the task on time. If the client is lax about uploading the vendor invoices to the folder, the virtual controller is left to chase down bills, resulting in wasted hours of follow-up calls and emails to the client, and possibly late payments and late fees. Conversely, the provider should work predictably, e.g. by updating the books according to a schedule that the client can rely on.

Other keys to success:

- **Ask questions of the provider up front.** How do you know they are qualified? Do they have the resources to accommodate your ongoing needs? You should not be afraid to ask for and check references, and the provider should be willing to accommodate.
- **Be open to new ideas.** Having always done something the same way may be comfortable, but it might not be the fastest/easiest/best. Your virtual controller can help streamline your process to save time – yours and theirs.
- **Be mindful of internal controls.** Depending on the level of outsourcing, giving your virtual controller access to initiate, record and reconcile transactions creates risk. Be sure to develop some controls (e.g. if the provider initiates online payments and prepares the bank reconciliation, you should take a minute each month to scan the bank reconciliation and bank statement for anything unusual). Your provider should welcome controls as a

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way to promote a high degree of trust and honesty.

Lastly...**realize that the transition takes time.** It takes about three full months until a “normal routine” sets in, and those first few months will involve more time – both for the provider and for you - than usual. Month one is spent “figuring out” how the client does things, documenting procedures, frequent dialog between client and virtual controller, and oftentimes bringing the books up to speed. Month two usually involves fine-tuning procedures, implementing new ones and getting accustomed to the new client’s accounting process (remember...no two clients’ accounting processes are the same). By month three the “system” is mostly in place and you should see some improved efficiency. By month four things should be running pretty smoothly.

If you think about the accounting situation in your own firm, is it timely? Accurate? Efficient? Perhaps it is cumbersome, or is never really up to date. If so, perhaps a virtual controller is just what the accountant ordered.

* * *

Tracy Soulsby, CPA is president of Soulsby Accounting Group, Inc. They specialize in providing outsourced accounting solutions to financial advisors and other professionals. You can contact Tracy at info@soulsbyaccounting.com or at 800-584-2721.



"We've done a computer simulation of your projected performance in five years. You're fired."

Letter From The Editor



Before we discuss this month's issue, here's a news flash. Some of you probably figured this out on your own; others haven't. All (or, at least, most) of the URLs you see in the newsletter are now *live*! In other words, when we cite a Web address anywhere in our PDF-file issues, you can move your cursor over the URL and it will change into Microsoft's pointing finger. Clicking on the URL will open your Web browser and take you to the site in question.

This is just one more little enhancement we thought you'd like, but our motivation wasn't purely altruistic. It seems we didn't get a lot of responses to our first VON Survey in last month's issue, so we're hoping that by making it easier for you to get to the survey site, more of you will take our monthly surveys.

And now, on to this month's issue... we've got the second part of the article Joel began last month on online backup systems. Joel goes into enough depth on each of the sites he's chosen to review that you should be able to make a choice pretty easily if you're in the market for an online backup service. We recommend that you have one means of off-site backup in addition to the tapes or DVDs you create and keep on-site. This is especially critical for those with just a home office, as we've said many times before.

I take a look at the practice of Jonathan Guyton this month — Cornerstone Wealth Advisors, Inc. of Edina, MN. If you don't know Jonathan but find his name familiar, it may be because he's quite active in the national FPA. Jonathan has done some interesting benchmarking around his use of Virtual Work Partners.

Our guest columnist this month is our own virtual bookkeeper, Tracy Soulsby. Tracy also works for a number of our readers, and we hear nothing but good things about her, so we thought it time to offer her a column. You may have noticed that she's alone on our Virtual Resources List under Accounting Services.

Don't miss the many other features in this month's issue, including George Taylor's letter to the editor which pretty well sums up the benefits to all of us of adopting the virtual approach.

Regards...



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To order this newsletter, please visit www.virtualofficetools.net where you will find pricing and ordering information.

Letter To The Editor

Frankly, I don't get a lot of letters from subscribers besides those requesting help (which I try to re-route to Joel), but this one really caught my eye. George Taylor — who some readers will remember from my July 2003 MorningstarAdvisor column (http://www.daviddrucker.com/upload_passprotected.asp?OrgID=431&SPID=8077&up_lid=18747) — wrote to thank us for helping him finish the virtual office job and create a new life for himself. I think you'll enjoy what he has to say. DJD

Dave:

I am about to go completely virtual. As of June 31, 2004, I am closing my office in Cheshire. I have moved from my fancy office-based phones to Vonage at my house and the homes of my two employees. We have tied together the phones using Gotvmail (your recommendation) and we have moved to eFax 100%, which is working great. It has been an interesting journey — getting out of the lease, working on work flow (where is the mail going, how is it going to be scanned, discussing our move with clients, etc.). Still haven't solved the most important problem — how to use the laptop on the deck in the sun. I called one of my computer clients and told him my problem... that I was sitting outside on the deck, basking in the sun, talking on my Vtech 5.8 GHz phone via Vonage, but could barely see my laptop cursor. He hung up on me probably because he was stuck in his office with no windows. Another, more understanding client suggested an upside-down box cut out. Then we tried to decide whether the box should be decorated or not. I decided no since I was on the deck by my self. We are moving the network computer from my office to my computer guy's house. He's going to charge me \$200 monthly — the same as I was paying for Internet, but now for ongoing service. My clients have been very supportive and jealous. I have also started coaching several clients [with similar goals] to achieve the same kind of flexibility. All of my bills for the office are going to the home of my virtual billing manager who is the office manager of one of my clients. She has been doing all payroll, bill paying and other official office stuff operations-wise. We are setting up a VPN at her house. We haven't finalized the VPN network, but we should be able to print to anyone's printer easily [once finalized]. Using the Virtual Window 2000 VMware proved very useful last week as we got infected by a virus/adware that put about 1,000 new files on the server. I was able to discard all changes and go back to January when I had saved the computer configuration. It took about an hour and I was up one and running perfectly. Just needed to run the Windows updates and it was good to go. I have also added a Maxtor hard drive 200 external connected by firewire and hired a new assistant who is acting now as more of a personal secretary, relieving me of some responsibilities as well as starting to work on developing our life planning business. We meet once or twice a week at my house for three hours, she organizes me, and I delegate, going through all my work piles. It is working well beyond my imagination. Thanks for getting me thinking in this way. More is not better. It's not what you make, but how much fun you have doing it.

George L. Taylor, CFP™

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