How to build an innovative financial advisor in under seven months?

Evida began its path as a family office managing a wide range of assets for wealthy families. Initially, the Swedish financial advisor outsourced the management of equity and fixed income positions to other parties. However, the combination of their interest for factor-based investments and dissatisfaction with wealth management services provided by the largest banks in Sweden, Switzerland and Luxembourg convinced Evida to build their own digital advisory service.

Challenge: Technology

Finding a reasonable balance between quality and cost-efficiency of various technical solutions had been one of the most significant challenges for Evida. After securing a brokerage system from Bricknode to manage legal requirements, automate operational processes and get access to the market, the financial advisor turned to improving their analytical capabilities.

Evida previously created a solution in Excel that helped the advisors simulate the financial lives of their clients over their lifetime. “We humans are perfectly designed to live in the moment. Unfortunately, this does not make us well-equipped for planning our finances and retirement 30 years+ ahead.” - shares August. The team put a great emphasis on visualisation of the results, enabling the advisors to guide customers through the various financial events of their lives. The personalised, highly visual tool was well-received, but Evida felt that they could do better.

“Excel is great but it’s a lot of work and hard to automate.” - recalls August. Looking to find more scalable and analytically superior tools, Evida surveyed the market, only to find out that the typical minimal user requirement by incumbent analytics providers was as high as 200. But Evida had just two at the time.

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Solution: The OutRank API

Evida identified the need for an analytics tool that would put together all information about their clients’ financial situation and visualize what the future might look like for them.

In the autumn of 2020, they came across one of Kidbrooke’s videos, and concluded that the OutRank API seemed like a great fit.

Kidbrooke provides an accessible API platform that powers financial analytics capable of simulating and visualizing a holistic picture of the end customers’ financial situation at any point in time. This tool enables financial institutions of any size to build next-generation digital wealth experiences.

Highly customisable and flexible enough to accommodate virtually any customer use case that requires financial modelling (including mortgages and pension planning journeys), OutRank can be integrated into any existing application or infrastructural set-up.

Evida is a small advisory firm without any in-house development team. However, leveraging expert help from Kidbrooke and additiv, a leading international omni-channel investment orchestration platform provider, it was able to successfully continue to manage their business and develop first-class digital capabilities.

“Advisory is more than just flipping portfolios to show activity. In order to provide an advisor’s alpha, we need to educate, handle the emotions of customers, walk them through different possible future scenarios, while at the same time providing them with a user friendly, highly individual yet scalable solution.”, August explains.

Digital Transformation: Where to Start?

1. Where to begin and which initial technical capabilities to consider as a requirement when adding digital financial analytics?

The type of analytics you need is typically connected to the needs of your customers and, consequently, of your own team. Therefore, it is useful to start by taking a step back, analysing your customers and identifying the information and types of decision-support they might benefit from.

As a next step, consider the following points:

- Would you like to be able to project the entire balance sheet of the customer or only specific parts of it?
- Is it important for the analytical tool to consider your own house views in addition to more general historical characteristics and consensus views?
- How granular and realistic would you like the underlying asset modeling to be?
- What is your technology stack like? Do you have a platform or application into which a new analytics API can be integrated, or do you also have to find and implement such a platform itself?
- How many customers do you need to serve? Self-service solutions may require a more performant and scalable set-up compared to advisory tools used in physical meetings.
- How are you going to manage compliance around the decision-support you provide to your customers? The more sophisticated the analytics, the higher the demand on transparency, ability to audit and validate the underlying algorithms.

2. What are the main components to consider of a digital financial analytics module?

It might be useful to think of the analytical technology in terms of three main building blocks:

- **Scenario generation** – an element driving all assumptions about future developments of financial markets. Scenario generators range from being very simplistic, e.g. only considering expected returns for each asset class, to more sophisticated, driven by a multi-period stochastic factor-based model capable of reproducing all well-known characteristics of financial returns.
- **Balance sheet evaluation** – a layer translating the fundamental assumptions from the scenario generator to customer-specific projections of their portfolios or balance sheets into the future. If needed, holistic support is an important aspect to look out for in this area.
- **Decision-support tools** – a module producing the proposals and decision-support material constituting the core of the value-add you provide to your customer. If you have a discretionary business model you might not need this component at all. In contrast, if you are building any type of self-service proposition which would automate the decision-making then you need a structured way of allowing the “machine” to generate such output.
3. Do you require a dedicated development team to implement digital capabilities?

The answer depends on the size and the level of ambition of the firm. For example, Kidbrooke has both large customers such as Skandia Life, which have dedicated teams working on developing various aspects of their technology stack, and smaller ones like Evida, which has chosen to outsource all the required development work to their partners.

4. How flexible are the APIs in the context of various infrastructural set-ups? Is it possible to integrate them with existing systems?

OutRank is a standard RESTful API that comes with OpenAPI specifications, thus it can be integrated almost everywhere, e.g. directly into the user interface layer, or into backend applications orchestrating the customer or business processes.

5. Do you have a standardised process of setting up the software and what stages does it involve?

The standardised process typically involves three stages: