



Associate Advisor Going Paperless



Part of Securities America's Business Mastery Series

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Introduction

A “paperless office” refers to an office that maximizes the use of technology solutions to use less physical paper. For decades, financial services regulations focused on paper recordkeeping and required advisors to store client information for at least seven years. The rent required for file storage space prohibited many advisors from growing their practice. Today, regulations permit electronic recordkeeping, which offers improved efficiency and safeguards for advisors’ practices. A paperless office is not only a convenience; it’s becoming a necessity in an increasingly mobile society.

The Benefits of Paperless

Convenience

Convenience is the greatest benefit to running a paperless office. Consider a situation in which more than one employee needs a particular client file. Paper files require that each employee waits his or her turn with the physical file, but virtual storage allows access for all employees simultaneously.

A paperless solution can provide a boon to your office’s productivity and morale. Perhaps you’d like to enjoy the same privilege many of your clients do – to live in a warmer climate during the winter months. Great organization and having paperless systems and processes in place can allow you or your staff to work from a second location or from home.

Necessity

Going paperless can protect your practice, staff and clients when an unexpected emergency happens. During the “Snowmageddon” in the winter of 2014-2015, Boston received 107.6 inches of snowfall – preventing advisors and staff from coming to the office to serve clients and conduct business. Loss of power, natural gas leaks, downed telephone lines and local internet outages can also keep you from carrying out normal tasks in the office. In worst case scenarios, fires, floods, hurricanes and tornados have destroyed advisors’ offices and decimated years of physically stored information. Running a paperless office can provide the infrastructure to seamlessly run your business from a temporary location.

Compliance

From a compliance standpoint, a paperless office reduces several critical risks. Privacy infringement and identify theft can endanger your clients and impair your practice’s reputation. Imagine your office was broken into one evening, and client files were taken. With birth dates and social security numbers on most of the stolen documents, a thief could do substantial damage with your clients’ personal information. Paperwork left around the office might also be viewed by delivery or repair personnel or by employees of your janitorial contractor after hours. Worse yet, a client might see another client’s file that was accidentally left in the meeting room – raising concerns about his own privacy.

Another risk that can be mitigated by going paperless is having an incomplete audit trail. Utilizing paperless workflows ensures immediate logging of paperwork with date and time stamps – and no lost copies. Paperless solutions also eliminate the need to back up your servers every day; all approved vendor solutions incorporate daily backup for your protection.

Best Practices

Going paperless can significantly impact the overall efficiency and scalability of a practice. Adding a new block of clients to the practice will not require additional staff to manage them as it would in a paper-oriented firm. Rather than staff wasting time pulling and re-filing client files, technology solutions provide immediate access to client information. The risk of misfiling client files is also reduced. Under a paper system, a new staff member or temporary employee might inadvertently file the IRA details of your top client, John Johnson, under the letter “I”, making the file difficult to locate. This could cause an embarrassing situation when you need to quickly review the recommendations you discussed at your last meeting. In contrast, you would have multiple ways to retrieve the documents you need using a paperless solution.

Your staff may be nudging you to take the paperless step, or you may need to lead the charge to adopt the paperless mantra. Whichever the case, continuing to delay the move to paperless may create an increasing drag on your practice. At the same time, it’s important to remember going paperless will require commitment from the entire practice, and most importantly, from you! Switching to paperless will not be an overnight process. It is essential to have a well thought-out, long-term plan in place before getting started. The rest of this guide will walk you through planning a move to paperless and suggestions for moving your workflows to paperless.

Going Paperless Steps:

- Step 1: Select Your Technology Solution
- Step 2: Audit Your Current Processes
- Step 3: Set Up Your Paperless System
- Step 4: Commit to a Timeline
- Step 5: Execute the Conversion

Select Your Technology Solution

Compare Vendors

There are several vendors that have been vetted as a paperless technology solution for workflow, but not for books and records requirements. This means paper originals that have been uploaded into the paperless solution must still be maintained for the regulatory holding period, often up to seven years. These originals can be stored on or off site but cannot be destroyed.

Look for a paperless technology solution that is approved for workflow and for books and records requirements. Once paperwork has been uploaded and verified to be in the correct “online file” per your office’s file naming protocols, originals can be shredded. This comprehensive solution provides leverage in both operational efficiency and physical storage space since unlimited storage capacity is available with many paperless vendors.

Update Your Equipment

You cannot move into the mobile age with equipment purchased when the flip phone first became popular. If you have not upgraded your office equipment recently, invest in a new scanner with a feeder. A feeder will efficiently scan client files that may be inches thick – avoiding potential pushback from staff who have to open the lid, orient the page on the glass and hit the scan button one page at a time.

For increased productivity, select a scanner that is TWAIN compliant. This type of scanner allows you to scan directly to the paperless solution without having to save the file to the desktop first. This timesaver will go a long way toward getting your staff excited about moving paperless.

TIP – Lower resolution scanning is best – 200 DPI maximum. Using photograph-quality resolution will create a file too large to transmit.

Train Your Staff

Each paperless technology solution has its own idiosyncrasies, so it is best to schedule training directly from the vendor if it is available. We suggest scheduling an introductory training before using the system and a follow-up session one month after you start using it. The second training session should focus on best practices and/or tips and tricks for using the solution as effectively as possible.

Audit Your Current Processes

Inventory File Categories

In order to start your journey to paperless, it is best to make your online file cabinets mimic your physical file cabinets. Starting to use a new system organized one way while still working in your old system organized another way can add unnecessary confusion. Take the time to create an inventory of file types or categories your practice currently uses, and if it makes sense for your practice, use the same file categories in your new paperless environment. On the other hand, if your current file system can be simplified, now might be a good time to do so. We will discuss file types in more detail in Step 3.

Audit Your Workflow

Next, audit your current workflow processes to determine where paper steps can be converted to paperless steps. During this process, determine if a step or steps to upload documents and information into the paperless solution should be added earlier in the process. For example, you may currently file a new client's information when all paperwork is processed, all of the assets are transferred and you have received the first set of confirmations. In the future, your staff will likely add steps to upload the documents into the paperless solution immediately. They will then add verification tasks to their daily task list until all of the verification steps they previously completed, using the paper file as a reminder, are completed using electronic reminders. All along the way, they have access to the documents they need in the paperless solution.

We suggest that you systematically analyze all of your processes using yellow sticky notes to document each step in the process. Step back and determine where the entry points for filing paper are now and, as a team, consider moving the entry points earlier in the process. Start with your new client process to kick off your analysis, then move to the other paper processes routinely handled.

TIP - Taking time to audit or study your current processes is essential to developing your new paperless solution!

Set Up Your Paperless System

Create Your Standards

Creating a uniform set of indexing values will greatly increase the usefulness of your paperless storage solution. Think of indexing values as folder titles or searchable titles that you would commonly use to search for a client's information. Most vendors allow you to customize the indexing values. It is recommended that you consider incorporating:

- Customer First Name
- Customer Last Name
- Social Security Number
- Document Name

It is important to include the right amount of indexing values in the "Document Name" field. Including too many values will be cumbersome and counter-productive, and only including one value such as "Client File" will likely require you to scroll through many documents to find the one you are looking for.

There are three options for creating your standard indexing values:

Option 1: Include every document name type that you utilize in the practice and utilize the "Client Last Name," "Social Security" and "Account Number" value fields.

Option 2: Select a limited number (4-8) of document name types and utilize the "Client Last Name" and "Social Security" value fields.

Option 3: Set up one document name type, "Client File," and utilize the "Client Last Name" value field.

Option 1:

Document Name:

- | | | |
|--|-----------------------------|------------------------------|
| • Asset Allocation Questionnaire | • Everbank | • Plan Documents |
| • Blotters and Logs | • Financial Plans | • RIA Documents |
| • Checks (Archive Only) | • Insurance Forms | • Rep/Branch Advertising |
| • Client Correspondence In (Archive Only) | • Internal Research/Notes | • Rep/Branch Office |
| • Client Correspondence Out (Archive Only) | • Investment Statements | • Retirement Analysis |
| • Client File | • Legal Documents | • Safeguard Review Documents |
| • Closed Files | • Life Insurance | • Summary Reports |
| • Confirmations | • Morningstar | • Tax Documents |
| • Contact Notes | • Non-Brokerage Statements | • Trade Tickets |
| • Disclosures | • Off-Site Branch Documents | |
| | • Original Application | |

Index = Client Last Name +
SS# + Account #

Option 2:

Document Name:

- Client File
- Closed File
- Financial Plan
- Contact Notes
- Legal Documents

Index = Client Last Name + SS#

Option 3:

Document Name:

- Client File

Index = Client Last Name

Once you have determined what amount of indexing is right for your practice and what document file names will work best, you need to document these decisions and incorporate them into your practice's standard operating procedures. Be sure to include the steps for uploading paper documents into the paperless solution – the what, when, where and how. Next create your “quick card” of the protocols for file names and indexing requirements, and post it at each staff member's workstation.

Kick off your move to paperless by training the entire staff on the steps and protocols before implementing them. We also recommend that you include an audit process for the first 60-90 days to double-check one another's processes and progress working in the paperless environment. Review progress weekly at normally scheduled team meetings, and discuss challenges or small issues during your daily stand-up meeting.

What About Changes?

You will likely need to adjust some of the decisions you made when you start actually working as a paperless office. Most paperless vendors allow you to change anything you upload in the form of splitting documents, merging documents and re-indexing documents. So do not hesitate to get started due to uncertainty over how you want to group documents together in the paperless solution or concerns over not being able to find documents.

Commit to a Time Frame

Time Frame for Conversion

Moving to a paperless system will undoubtedly be labor intensive. Your number of clients balanced with your available staff and the amount of time they can devote to the transition can help you make a reasonable estimate of the time needed to make the conversion. The worst thing you can do is get started and then let the project languish in the background with no real progress month after month. We suggest the following time frame in which to make the conversion as a starting point:

Number of clients	Suggested time frame
Less than 100	6 months
100 – 200 clients	6 – 9 months
200 – 300 clients	9 – 12 months
300 – 400 clients	12- 18 months
400 +	18 months

Execute the Conversion

Executing the conversion to a fully paperless office will demand focus. We suggest that you set a “start now” date at which you begin utilizing your paperless process with new clients. To convert existing clients, choose between:

Convert at client meeting	Before or after each client meeting, convert the client’s file to the paperless solution. This works well for offices that have a manageable number of client meetings weekly and that prefer to work slowly through the conversion process. It can make the process less intimidating by whittling away at the volume of the task during normal business activities.
Convert by client blocks	Break clients into small groups and convert each group to the paperless solution individually. Determine a time schedule based on the number of client households you have. This works well for offices that want to complete blocks of clients at a time. It provides a sense of accomplishment as each group is completed and allows an office to schedule breaks during busy times such as tax season. <ul style="list-style-type: none">• Manageable number of households: By client segment: A+, A, B, C, then D clients• Large number of households: By letters of the alphabet: A-D , E-K, L-O, P-Z (balance into 4-6 groups)

Block Time for Scanning

Scanning years’ worth of files and documents may seem like an impossible task, so it is important to set aside blocks of time specifically for scanning. Remember, the best way to eat an elephant is one bite at a time. Methods that have worked for offices who have successfully converted to a paperless office include:

- Designating Friday afternoons for the entire staff to scan documents
- Closing early and scanning from 2-4:30 one day a week
- Scanning five client files every day at the same time each day

Whatever works for your office is a good execution strategy. As long as progress is consistently being made, almost anything goes. Other options that have worked for offices include hiring a student for the summer/breaks/afternoons or hiring a temporary staff person. Both of these options, however, require training and audits of their completed work until you feel they have attained a level of proficiency. Remember, you don’t want to find your top client’s IRA file placed under the last name “Ira” or “Roth.”

Prep for Scanning

You will also need to prep groups of files for scanning/uploading based on the priority order you set previously. A best practice is to clean out the current client file and shred items that should not be included in the new paperless file. (You should not use a student or temporary staff member for this step). You should also remove all staples and organize the documents into groups based on the document names you have set up. Scan and upload documents by the groups you assigned and work through several files at a time.

For multiple-advisor offices, a suggested best practice is to have one person prep for scanning by ridding files of old paperwork and staples and creating the groups. A second person scans and uploads to the paperless solution. A third person verifies the documents are in the right electronic files and boxes the documents for off-site storage or future shredding if using a books and records compliant paperless solution.

Resistance to Go Paperless

Many advisors who resist moving to a paperless operation find comfort in “touching” a client file - especially for client review meetings. This can be a hard mindset to change, but the overwhelming benefits can positively affect office productivity. Pulling and refiling files are usually not popular tasks. If you are a staff member reading this guide, we advise you to ask your advisor for a pilot test. If you can't change your advisor's world, see if he or she will let you change your world by using your broker/dealer's paperless solution (which is most likely free) to go paperless for everything you do. You can then print documents out for your advisor when needed for client reviews. All paperless vendors allow you to download files any time you need to.

Best practice for representatives: Subscribe to a CD backup service and at the end of each year, your scanned files are burned to a CD and sent password-protected to your office.

Paperless Workflow

Once you have created your paperless office, it is time to embrace paperless workflows. You likely have already started the process by moving some of your follow-up processes to electronic reminders instead of paper reminders as outlined previously. Now it's time to look at each workflow process and determine if there is a paperless solution. We suggest utilizing:

Mobile Check Deposit:

Mobile check deposit is a cost-efficient way to deposit checks on behalf of investors to their brokerage account. Clearing firms such as National Financial Services LLC (NFS) and Pershing offer this service. The NFS solution is available for iPhone®, iPad® or Android™ devices via the Streetscape® Mobile application, and the Pershing solution is available for iPhone® and iPad® devices via the NextX360 application.

If an individual has been given access to mobile check deposit, he or she can snap front-and-back pictures of a check, key in the amount, select the brokerage account(s) to receive the deposit, verify the deposit details and submit the deposit for processing. From that point, the deposit will be processed as if it was received by the home office directly. This alleviates the need to forward a check for deposit to your broker-dealer's home office via overnight – saving you time and money!

Note – Physical checks must be stored in a secure, fireproof lockbox for a period of no less than 90 days. After the required holding period, checks may be destroyed using approved methods.

Encouraging Clients to Go Paperless

Consumers are continually being pushed to go paperless for utility bills, credit cards statement and the like. Most clearing firms offer clients the option to receive email notifications instead of paper statements, confirmations and shareholder reports – including annual/semi-annual reports, annual prospectuses, non-custodial firm proxies and trade related prospectuses for their brokerage accounts. Pershing charges a \$1.00 surcharge per brokerage account statement and trade confirmation mailed for individual, joint and Pershing custodial retirement accounts. To avoid this cost and for the sheer convenience it provides the client, we suggest signing up and training new clients immediately for electronic delivery and then systematically working with existing clients during their review meetings to move to paperless delivery. National Financial and Pershing have prepared client-ready resources you can provide to clients to help them go paperless.

Conclusion

Going paperless is not as intimidating as it may seem. The benefits of the reduced cost to run the business in the end outweighs the cost of moving to paperless and a small amount of frustration as you work out the kinks in your new paperless processes. The mobile revolution continues to be both a business challenge and a boon to productivity. Take advantage of the paperless solutions available to you now to create an even more valuable practice in the future.