

# Just how much expertise is enough expertise?

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It is clear that you do not need the expertise and resources of a large investment house to manage portfolios. You do however need to possess investment discipline and sufficient expertise and resources to manage the asset allocations within the investment universe covered by your discipline.

Just having the expertise is not enough: many of the large financial institutions are burgeoning with expertise, yet it is debatable whether this expertise is present across the average private client portfolio.

Additionally, the person in charge of your portfolio selection and planning does not need to be an asset management expert, but they do need to be an investment planning expert: these investment planners will be dependent on asset management expertise delivered by complex systems.

Investment planners are financial/investment advisors or portfolio managers charged with the planning and management of an individual's total financial needs and assets.

- They are responsible for the planning and management of client financial needs and not for portfolio construction, investment timing and security selection. The systems and the investment expertise delivered by the systems do this.
- They are knowledgeable in asset liability matching and modelling, the management of short term financial security, risk profiling, asset allocation and return management amongst others.
- They understand rules and regulations relating to insurance, pensions, estate planning and tax but not necessarily responsible for implementing these areas.
- Investment planners are the central cog in the wealth management structure. Insurance, pensions and estate planning functions cannot be completed without investment planning analysis.

If the stock selection, asset allocation and portfolio management expertise is centralised and delivered by systems, then these systems will need to do the following to be efficient and effective.

- Analysing complex financial needs over time and constructing portfolios specifically to meet these needs.
- Distributing and adjusting central investment strategy, style, allocations and recommendations for individual needs and preferences.
- Integrating the management of assets (portfolios) and financial needs (liabilities) over time.
- Dynamically update, strategy, allocations and recommendations in response to market movements.

Above all these systems need to reflect the organisation's own preferences, disciplines and investment rules. A lot of today's tools have been designed to distribute products and limit the risk with regard to the appropriateness of products sold. Where they succeed in limiting the complexity of the issues addressed at the point of sale, they fail in their ability to manage the complexity necessary to manage assets and financial needs over time.

Care therefore needs to be taken with those advisors who use third party software, securities selection and asset allocation.

As far investment planning expertise is concerned, there is no designation or investment course which focuses or specialises in this particular area. Therefore even the standard designations of CFA and CIM do not signify the ability to construct, plan and manage a portfolio to meet financial needs over time. Basic industry courses such as the Canadian Securities Course provide the holder with no investment planning expertise. Even the financial planning designations do not provide the necessary asset and liability management training needed to deliver portfolios constructed to meet financial needs over time.

Assessing expertise, systems, business processes and the quality of the investment solution requires considerable expertise in itself.