




> The 360 View

Axos Advisors' integrated banking platform empowers
Advisors to take charge of clients' total financial picture



> In an increasingly
competitive market,

advisors who can offer a
platform of broad, integra-
ted services have an edge.

They know more about their
clients and manage more
of their financial assets.

> **Their knowledge,**
not just of investment
portfolios, but broader
financial challenges and
resources, helps them make
better recommendations to
clients which, in turn, creates
stronger relationships.

axos[®]
Banking **Evolved**SM

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Although many advisors now aspire to provide holistic service, few extend their services into one of the largest non-investment portions of most clients’ portfolios: banking products. According to Cerulli Associates’ U.S. Advisor Metrics 2016 survey, only 21% of all financial advisors offer their clients private banking services — and the percentage is much lower among independent RIAs (4%) and hybrid RIAs (7%). Even among the most comprehensively oriented segment of the advisor marketplace, wealth advisors, just 38% offered private banking.

Given today’s richly valued equity market – and rising, but still historically low yields on most cash equivalents – financial advisors who can bring their clients safe, FDIC insured banking products with competitive yields have a built in advantage. That advantage is compounded when advisors can actively monitor banking activities on their clients’ behalf, gaining insight into cash flows, liquidity and spending habits, even as they assist clients in securing the best possible interest rates.

Still, many independent advisors, who aren’t affiliated with a bank, don’t have easy access to deposit services. Axos Advisor’s integrated dashboard platform empowers them with the technology and high-yield banking products to make liquidity management more transparent, convenient and profitable for their clients.

David Coles is the Chief Operating Officer at Lake Forest, California-based Wealth Management & Business

Concepts, Inc., an Axos client since 2011. “When we first started considering Axos Advisor, the market had turned down and interest rates were extremely low. There was no way for clients to make money on their cash portfolios,” he said. “Axos offered a decent rate.”

But he added, it was the accessibility Axos offered, not just the deposit yields that really made the sale. “They had a platform where the advisor could go on and interact with the client accounts, so that we could see the balances in the accounts. Whereas the other internet banks, we weren’t allowed to access any of the information,” he explained. “That’s what really appealed to us, that we were able to have some type of oversight on the accounts, since we are a fiduciary to our clients. We need to make sure that if we recommend something to them, we’re able to track it and have some information.”

Another selling point is the lack of conflicts, noted Axos Advisor’s director, Sherry McCarty. “We have no wealth management at our bank. So for instance if you bank with Bank of America, you walk into Bank of America and you deposit \$5000, the first thing the teller does is they make a copy of that check and they hand it to a financial advisor in the office. That financial advisor turns around and solicits your client,” she explained. “If the financial advisor gets their clients to open accounts at our bank, we do not solicit their clients for investment, so we do not compete with our advisors.”



The Axos Advisor Platform

Axos Advisor is a subsidiary of Axos Bank, a nationwide branchless bank that has approximately \$10.9 billion in assets. Axos has been ranked among the top 5 public thrifts by SNL Financial for 11 consecutive years and is publicly traded on the New York Stock Exchange under the symbol "AX".

Its Advisor platform, delivered through a web-enabled customized dashboard, now serves some 125 advisory firms and more than 750 advisors. It offers five main advantages to financial advisors:

A full range of deposit products: Axos Advisor offers checking, savings, CD and IRA deposit products to advisor clients.

Competitive rates: Axos' low cost structure allows it to offer industry-leading rates on deposit accounts.

Viewability: "Advisors can view updated account activity, monitor fluctuations in account value and see transactions as they occur daily. However, Axos does not allow advisors to execute transactions themselves."

High Touch Service: Unlike many internet-based banks, Axos has a dedicated advisor relationship manager who serves as a point of contact between advisors, their clients and the Axos platform.



Integrating Banking and Investment Strategies

Wealth Management & Business Concepts first started looking at internet-based banking partners in the aftermath of the global credit crisis, when rates on bank and mutual fund money market funds plummeted to nothing. Leery clients had little chance of earning a decent return on rainy day funds and investment sweep accounts through traditional channels, and president and founder Scott Coles began researching webbased alternatives like Axos.

David Coles, who was also familiar with the due diligence process, explained, “We talked to peers about it. We looked at their financials. We went down to visit them at their headquarters and talked to many of the executives at the company about how the bank was started, what they’re looking to do.” He added, “We also talked to our broker/dealer’s compliance team, asking them about the risks and opportunities.”

Initially, WMBC’s team was concerned about Axos’ size, but their due diligence assured them that the bank was managed for stability and long-term sustainability. They also asked about the web-based model. “We wanted to make sure that there were people around that we would be able to talk to, hold accountable and to speak to,” said Coles. “And FDIC insurance was another thing we were very interested in, as they are a bank and we like for our bank to have that type of insurance in place.”



"I would really recommend to advisors looking at Axos Bank, to learn how to really get in and use the interface online to be active in these accounts with clients."

WMBC participated in a pilot program in 2011, as part of Axos's very first class of advisor partners. "The advisor platform has changed and morphed over time. It's getting better and more functional," said Shelly Halprin. As WMBC's office manager, she handles most of the day-to-day interface with Axos. "But the team has been so available to us. They're very open to our input."

Today, WMBC has roughly 60 clients who use Axos' service with a total of just under 90 accounts (some clients have more than one account). "So far it's been positive for our clients. They like that we can offer them accounts at Axos that work with their brokerage accounts. If we see that we're going to have a little bit of a higher cash balance in these accounts, we'll move it over to Axos, so we get a little bit of a higher return on that money," said Coles. "If we're doing any dollar-cost averaging into the market, we're able to pull money over from Axos and then invest it in the market on a monthly or a quarterly basis, so they're earning a little higher yield while we're still working to slowly move into the market."

Coles added that his firm primarily uses Axos as an add-on service for existing clients, rather than a sales tool for prospects, and that they advocate for it mostly as part of an overall investment strategy. "We typically don't use it for our clients as their normal checking account. Typically

we say, this is part of our investment strategy where we'll move money in and out," he explained. "Sometimes we have clients say, I've got a large chunk of money I want to park somewhere. I sold the house. Or maybe this is my six months of emergency savings. They have it there and it's a competitive rate of return so they've been happy with it."

"I would really recommend to advisors looking at Axos to learn how to really get in and use the interface online to be active in these accounts with clients," said Coles. "I look at it as a portion of their investments with us. We made a recommendation to use it for a reason and I think clients have a better experience with us when we recommend a product for them and then we continually educate them on that product and why we have it there."

For instance, an advisor who monitored his clients' money market accounts might see that the client was bumping up against the six-per-month withdrawal limit and incurring unnecessary fees. A conversation with the client might lead him to switch to a checking account with unlimited transactions.

"Clients also like that we keep an eye on interest rates, and when opportunities become available to get that rate increased, we may certainly bring those opportunities to the client," Halprin added.





In addition, there's the intangible benefit of just knowing more about a clients' overall financial holdings, said Coles. "Just being able to review cash accounts as part of their overall holdings is a benefit.

We like to be able to understand where all of our clients' monies are. If they've got \$200,000 in cash somewhere and we've forgotten about it, we're missing a huge opportunity for our clients. It's always wise to know how much money they have in cash."

Fiduciary concerns

Axos Advisor's platform is not for every advisory firm – and not every advisory firm is a fit at Axos. Both the bank and its advisory clients must perform extensive due diligence to make sure they're suited for partnership.

Axos Advisor's Sherry McCarty noted that, "We ask firms for extensive documentation coming on to get them vetted. I check their licenses. We check to make sure there's no negative press. We're looking at reputational risk and that type of thing," she said. "We are very careful because our reputation would be at risk."

Advisors also need to do their own due diligence to make sure that Axos Advisor makes sense for their clients. Coles noted that his firm studied Axos extensively before making a commitment, talking to its team, visiting its offices and reviewing its offerings with their broker/dealer.

"We made sure we got access to this type of information, because as a fiduciary we have to uphold that standard to each one of our clients," he added.

WMBC also looked hard at its fiduciary responsibilities in recommending Axos to clients, both as a philosophical matter and because some of its client accounts were retirement related and, thus, subject to the DOL fiduciary rule. "Every time we put our clients in some type of investment, we let them know whether it's a commission type of investment or a fee that we'll receive from these entities, so that we're transparent with them," he said.

Axos Advisor's transparency and advisor access was also an important part of the equation. "Because we were receiving compensation from them, we needed to make sure we are seeing clients' accounts, seeing transactions, understanding what's happening, downloading statements and putting them into our system so that we have the proper documentation in place," said Coles. Other online providers were not offering that type of viewability. "We made sure we got access to this type of information, because as a fiduciary we have to uphold that standard to each one of our clients," he added.

McCarty added that Axos Advisor doesn't impose its own fiduciary standards on advisor firms, but it does contractually insist that they apply their own firms' rules to assets held at the bank. "They have to keep their standard

practices in place, even for our product. So if they're going to be doing an IRA through us, and their company wants them to do additional paperwork that goes to their company, that's what they have to do."

A tool for Holistic Management

Coles explained that the Axos Advisor platform has become an important element of his firm's commitment to holistic service. "When we bring a client on, we do a comprehensive financial plan for them, which incorporates all of their financial assets, liabilities, goals and aspirations in life and how we're going to achieve those things with their income they have now and their assets," he said. "We look at their finances, all of their accounts that they have, whether it be 401(k)s, 403(b)s, pensions, retirement accounts, cash holdings, bank accounts and real estate. Then we start helping them create a plan that will allow them to achieve everything that they want. And so this is all part of that. We know that if a client has an emergency fund or other cash holding, we can put that at Axos Bank and get a better rate of return there than if we put it at Bank of America or Fidelity brokerage or somewhere else. It creates that safety and gives you a little yield."

For more information about the Axos Advisor platform and how it can work for your firm and its clients, visit the Axos Advisor website at <https://www.axosadvisor.com> or call 1-877-887-3030 or email us at support@axosadvisor.com.



