

## Making the Paper Cut

Two advisors used different methods to get paper out of their offices and reap the benefits. Here's how they did it.

The “paperless office” once seemed like pure high-tech hype. But that's changing. Financial advisors are embracing the process and learning that it can lead to very real efficiencies.

Why? Many mistakenly believe the reason for creating a paperless office is to save file cabinet space. Yes, that's a benefit, but it's a secondary one.

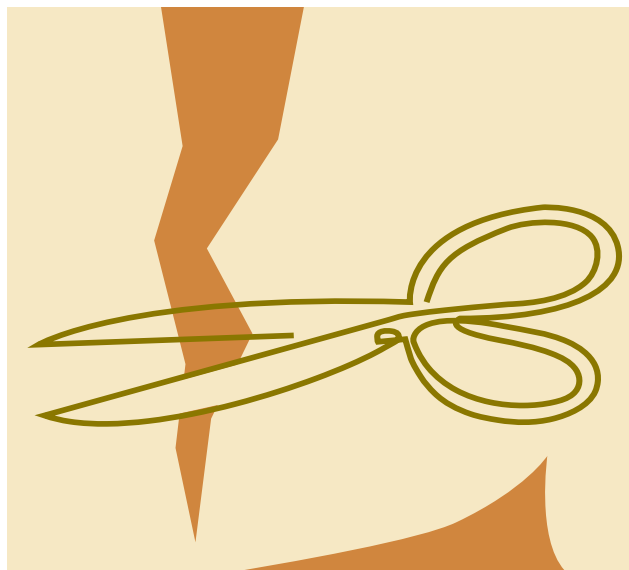
The reason for the paperless office — or “document management” as it's more formally known — is to put information at your fingertips. Here are two scenarios; decide which you prefer.

In the first scenario, your client calls with a question, and you need his file to answer it. You don't know where the file is, so you promise to call him back. After searching for the file in your file cabinet room, you find it on a colleague's desk. You flip through the dividers in the client's folder and eventually locate the paper you need. You call the client back and get his voicemail. He calls you back and gets your voicemail. You eventually hook up with each other, after much wasted time.

Second scenario: Your client poses a question during a phone call, and you find the document you need while you're on the phone with him, because you can locate its scanned image almost instantaneously on your hard drive. You answer his question, and everyone's happy. No file searches; no phone tag.

Which scenario do you prefer?

Susie Steel of Deerfield Financial



Advisors in Indianapolis, Ind., and Lloyd Painter of PainterFinancial with offices in Greenville and Louisville, Ky., preferred the second scenario, and each embarked on the path of paperless-office conversion a few years back. Steel's firm is an independent RIA with three partners, three para-planners, a portfolio administrator and an assistant. Painter's firm is affiliated with broker-dealer Cambridge Investment Research, employing two accountants on the CPA services side of the business and five staff devoted to financial planning.

Since each firm has staff sharing client information, a coordinated system of document management was essential. And with 20-plus years in the business, the sheer volume of files each had when it embarked on its conversion

was considerable. “We ultimately got rid of 22 file cabinets and shredded over 100 file drawers of paper,” says Painter.

The first step is deciding what files to capture and which, if any, to leave in paper form. This will be largely dictated by regulators, as documents with original client signatures must

often be maintained in original form. Still, most firms decide what to save and how to do so based on the degree of access they need. For example, if they believe 95 percent of their need will be documents created in the last five years, then they begin scanning the last five years' files and either leave earlier files in paper form or scan them last.

“A little over two years ago, we began the process of scanning everything except tax returns prepared more than three years ago,” Painter notes. “We established a priority for which documents would be scanned and when, but the project went somewhat more slowly than expected. Initially, we did current financial-planning files, then current tax returns, then all financial-planning files back to 1990.”

Deerfield took a different approach. “We chose to go all the way to the beginning of our client records in spite of (consultancy) Trumpet’s recommendation,” says Steel. (Deerfield consulted with technology experts Jo and Kevin Day at Trumpet Inc. of Phoenix throughout their conversion.)

Deerfield’s principals thought having some records on paper and some in digital files would make it difficult for advisors. They would have to remember if they needed a paper or an electronic file.

“We didn’t want to have to keep track of when to go to paper files vs. scanned images,” says Steel. “And, by scanning everything, we saved space, too.”

The next decision is what kind of filing system to use to minimize document-retrieval times. Some firms simply duplicate the same filing system they’ve used for paper on their server, as PainterFinancial chose to do.

Deerfield, though, did not. “We weren’t happy with the filing system we’d evolved for our paper files,” explains Steel. Deerfield bought Worldox, a software system for labeling or coding non-structured documents, so they can be found quickly and easily within a “virtual file cabinet” by visual or keyword search.

Next comes the process of actually converting paper documents into graphic images, which requires a scanner (hardware), a system for document capture (software) and a warm body to push the paper into the scanner’s automatic document feeder.

Both firms used (and continue to use) Fujitsu scanners — and for good reason. Fujitsu is creating the best scanners for the money in this author’s opinion.

**“Even at its messiest, my office never looks like it did pre-1998.”**

PainterFinancial uses the heavy-duty Fujitsu M4097D with a 100-sheet document feeder. Deerfield uses the Fujitsu fi-4120C, a lighter-weight but extremely durable scanner (recently replaced by the 4120C2).

For software, PainterFinancial uses LaserFiche. “While LaserFiche isn’t the cheapest scanning software, the Tennessee-based value-added reseller we worked with was eager to have our business and has been very supportive,” says Painter.

In Deerfield’s case, “We scanned all of our documents using ScandAll 32, the software that ships with the Fujitsu. Once a document is scanned, we click the ‘save’ icon, and Worldox pops up an ‘index card’ for that document file,” says Steel. The card is filled out with several key descriptors, and the file is stored within the behind-the-scenes directory structure Worldox creates.

Finding the right people to do the heavy lifting — the scanning — can be tricky. First, there’s the document loading and the scanner babysitting. Next, the resulting images have to be saved in your chosen filing system. The latter is more of a skilled task, while the former can be mind numbingly dull.

Painter had an employee do his firm’s scanning. “She scanned for as much of her day as she could without going nuts, and she was a large part of the cost of the conversion,” he says. “We thought about using an outside service, but we wanted to maintain more control over the project.”

Deerfield used anyone that could be talked into doing the job. Staff initially considered hiring temps. “But we weren’t sure how long it would take or what kind of qualifications they would need,”

## TheBottomLine:

- **Taking compliance issues into careful consideration, decide what paper files need to be saved and which can be scanned.**
- **Develop a paperless filing system for the digital information maintained by your practice.**
- **Recruit staff or temps to serve as scanners and organizers, so you can get your system up and running.**

says Steel. They ultimately hired Steel’s sister-in-law to come in for the summer, finalizing the job with a string of temps.

Now that their conversions are complete, both firms are seeing the benefits. “We realized sizable cost savings,” says Painter. “Not only were we able to recapture all of the square footage formerly devoted to file cabinets, we were also able to cut two employees, and we’ve saved money on photocopying now that our documents all exist in digital form,” says Painter.

“Having big (paper) files on my desk created a negative attitude about work,” explains Steel. “A project seems more



manageable, though, if I can just open a file at my screen. Even at its messiest, my office never looks like it did pre-1998.” **RD**

David J. Drucker, MBA, CFP, a financial advisor since 1981, sold his practice 20 years later to write, speak and consult with other advisors under his new banner: Drucker Knowledge Systems. Learn more about his latest books — “Tools & Techniques of Practice Management” (National Underwriters, 2004) and “The One Thing... You Need to Do as Told by the Financial Advisory Industry’s Top Coaches, Consultants & Industry Insiders” (The Financial Advisor Literary Guild, 2005) — at [www.daviddrucker.com](http://www.daviddrucker.com).