

Why the Future Belongs to Unified Managed Accounts

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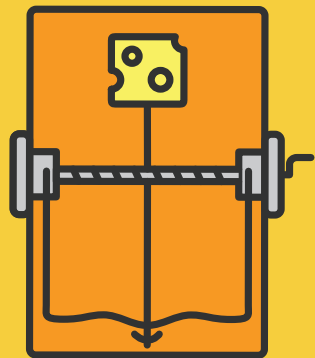


Financial advisors currently place 38 percent of their clients' assets in Unified Managed Accounts (UMAs) and anticipate that they will increase that share to 47 percent in two years, according to a 2020 survey conducted by FUSE Research Network.¹

Advisors in the RIA channel have a greater share of client assets (47 percent) in UMAs than either the Wirehouse advisors (40 percent) or IBD advisors (34 percent). While expectations of increased use are projected across all channels, the IBD channel is expected to witness the highest percentage growth in UMA usage, rising from 34 percent to 44 percent—a jump of 29 percent.²

There are a number of very compelling reasons that UMAs have captured such a large share of client assets in the wealth management space and for why this growth is set to continue over the next few years.

This white paper, *Why the Future Belongs to Unified Managed Accounts*, explores the reasons for the emergence and growing dominance of UMAs, why they make sense for advisors looking to grow their practice and elevate the client experience they deliver, and how the UMA program at American Portfolios has been enhanced to become an industry-leading offering.



The Rise of UMAs

In an earlier white paper, **The Evolution of Managed Money: From Separately Managed Accounts to Unified Managed Accounts**, we identified three primary drivers behind the growth in separately managed assets (SMAs) and UMAs: 1) more affluent Americans, 2) the preference for fee-based pricing and 3) enabling technology.

Ultimately, however, it is the UMA that will likely emerge as the cornerstone investment preference for advisors and clients alike, owing to the intersection of two powerful motivations. First, clients place greater value on personalization and institutional-level money management than on individual investment products. Secondly, advisors prefer investment solutions that help enhance client relationships and practice profitability.

The adage, “Build a better mousetrap, and the world will beat a path to your door,” rings true in any industry; simply put, in the wealth management business, the UMA is a better “mousetrap.”

The Nine Key Benefits of the UMA Platform

While not known for his wealth management genius, Leonardo da Vinci perhaps said it best by declaring, “Simplicity is the ultimate sophistication.” In an increasingly complex world, consumers reward those who can deliver life’s complexities in a simple and understandable way. The UMA goes further, offering nine unique benefits that make it such a compelling investment platform.

1

The ability to hold a wide range of investment products. The capability to hold a wide range of investment products (e.g., SMAs, mutual funds, ETFs, individual securities, etc.) in a single account offers a unified view of all assets and the convenience of a single statement and consolidated investment and tax reporting.



2

Greater flexibility to create more customized portfolios. When investments can be allocated across a broad selection of investment products and based on what best fits a particular asset class and the available funds to invest, advisors can create portfolio solutions more personalized to their clients.



3

Coordinated tax management. Advisors, through a UMA, can better execute on tax harvesting and the sale of the most advantageous tax lots, providing clients with “tax alpha” not readily available in other product platforms.



The Nine Key Benefits of the UMA Platform (con't)

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Low UMA investment minimums.

Many UMA platforms require relatively low investment minimums, democratizing access to the industry's leading money managers, sophisticated investment services and high-end performance reporting that previously were available only to high-net-worth investors.



5

Comprehensive due diligence and ongoing monitoring. Advisors and clients benefit from the knowledge that the money managers available through the UMA platform are well vetted before their admission to the platform and are continuously reviewed by a staff of in-house investment professionals. This research of money managers and other pooled investments provided by the UMA provider can also help advisors and clients make better and more informed investment decisions.



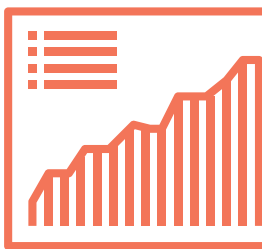
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The opportunity to improve portfolio performance. Portfolio performance can potentially be improved through automated rebalancing, drift management and off-schedule rebalancing tools that keep clients within the parameters of their strategic asset allocation goals.



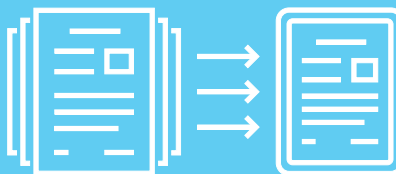
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Sophisticated portfolio performance reporting. A more detailed performance reporting capability for the entire value of a client's investment holdings makes it easier for the advisor and client to track a portfolio's performance and gain better insight into a portfolio's risk exposures and the drivers of portfolio returns.



8

Simplified paperwork requirements. UMAs streamline paperwork requirements and simplify the client fee structure. For the more advanced UMA offerings, the account opening is paperless. This simplification includes the elimination of signing multiple agreements with money managers, thereby facilitating the change of managers, if the need arises.



9

The "quarterbacking" of an overlay manager. The involvement of an overlay manager can facilitate more effective portfolio monitoring and coordination; ensure greater adherence to portfolio restrictions; and improve the execution of tax management, rebalancing and trading within client accounts.



Analyzing a UMA Platform Provider

The number and quality of available UMA platform providers has grown in concert with the increasing market demand for the product. Choosing a UMA provider with which to work is an important decision that should only be arrived at after careful consideration of a number of critical factors, including:

Is the UMA provider candidate committed to long-term investments in its platform?

Let's face it, the combination of competitive pressures and improving technology means that these platforms are likely to see enormous changes in the years ahead. Advisors will want to make sure they select a provider with a proven track record of keeping pace and a believable commitment toward maintaining a competitive platform into the future.



Does the product offering fit with an advisor's vision of how he or she wants to manage and service clients' assets?

Answering this question requires a 360-degree view of a provider's product offering. For instance, does the provider offer a menu of model portfolios or do they allow for advisor-customized portfolios? What investment products are permitted in the platform? Does the platform offer Advisor as Portfolio Manager (APM) capability? Can the platform support the advisor's model (e.g., dynamic or static, share-based or weight-based)? Can the advisor set the drift band parameters on client portfolios and, if so, how flexible are they?



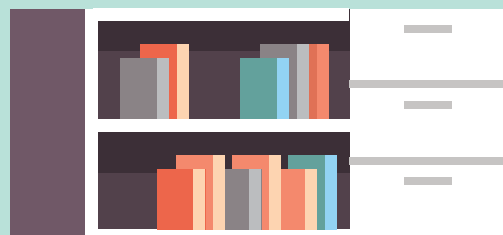
Ask tough questions about its research, service and operational functions.

The key reasons to transition client assets to a UMA platform is to improve investment outcomes, enhance client servicing and leverage a provider's capabilities to free advisors from a range of operational and administrative tasks.



Consequently, take a deep dive on the processes, people and tools that lie behind their commitment to manager due diligence and ongoing monitoring.

Look at samples of their performance reporting to determine if they meet the standards clients should expect. Determine the processes and tools a provider has in place to help automate and notify the advisor on portfolio management issues, such as rebalancing. Is rebalancing done with the appropriate tax and trade execution considerations?





American Portfolios UMA: A Smart Edge

American Portfolios—in partnership with SMARTX Advisory Solutions, a leading innovator in UMA technology and architect of the SMARTX TAMP—now offers the next generation of UMA, providing a single interface to manage multiple strategies through a UMA/SMA structure.

Our leading-edge UMA platform provides advisors with a number of key competitive distinctions, including:

- Access to a robust universe of institutional managers who have all passed the rigorous vetting process of the firm's due diligence procedure
- A white label capability that permits advisors to use their own name and brand on client reports
- Flexibility to allow advisors to create custom portfolios and models
- Ability to build models using Advisor as Portfolio Manager functionality, with access to third-party managers and all platform tools
- Intra-day pricing, providing advisors and clients with current valuation throughout the trading day
- Access to extensive information to facilitate intelligent qualitative- and quantitative-based investment decisions



1. <https://www.fuse-research.com/media/1901/fuse-atm-series-advisor-top-trends-for-2020-press-release-32420.pdf>
2. <https://www.fuse-research.com/media/1901/fuse-atm-series-advisor-top-trends-for-2020-press-release-32420.pdf>

American Portfolios Financial Services, Inc. has just the resources in place to help its advisors on many fronts. Reach out to *Manager of Due Diligence Samuel J. Rozzi IV, CFA*^{*} at 631.439.4600, ext. 136, or via e-mail at sjrozzi@americanportfolios.com to strike up a conversation today on programs and needs of the advisor.

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About American Portfolios

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company supports independent investment professionals—including of registered assistants and non-registered associates—throughout the nation.

American Portfolios has numerous recognitions by a number of industry publications and organizations. Such acknowledgment includes: multiple Broker-Dealer of the Year^{*} (Division III) wins by Investment Advisor magazine; multiple finalist and award wins by WealthManagement.com Industry Award in multiple categories^{**}; Corporate Citizen of the Year by Long Island Business News; multiple top placements as one of the Best Companies to Work for in the state of New York by the New York State Society for Human Resources Management (NYS-SHRM) and the Best Companies Group (BCG); and one of the Top Long Island Workplaces by Newsday.

^{*}Based on a poll of registered representatives conducted by Investment Advisor magazine. Broker/dealers rated highest by their representatives are awarded "Broker/Dealer (B/D) of the Year."

^{**}Wealthmanagement.com Industry Award finalists are selected by a panel of independent judges made up of subject matter experts in the industry. Award is based on support provided to AP's affiliated people and does not reflect public customers nor their account performance.