

3 Best Practices for Maximizing the Power of UMAs

INVESTEDGE



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Unified Managed Accounts (UMAs) have become a powerful tool to help investors gain a more comprehensive view of their assets while streamlining many time-consuming operations for advisors and firms. And their impact on the industry is only expanding. According to research from the Money Management Institute, UMA assets are projected to triple between 2016 and 2020.

Managed accounts' increased popularity has gone hand in hand with the rise of fee-based advisory options to meet an increased industry focus on fiduciary standard of care. At the same time, organizations are gravitating toward UMAs as an attractive way to scale their offering in a climate of shrinking margins and fee compression. They've gained particular traction in the bank and trust sector, where many have expanded access to external managers while seeking to maintain control and oversight.

Yet all UMA solutions are not created equal.

Wealth management firms, particularly banks and trusts, still face challenges in selecting and implementing a UMA solution that creates clarity for the client and scalable efficiency for the firm. Finding tools that strike the right balance between these goals is easier said than done, and many UMA solutions come up short.

InvestEdge is introducing a new breed of UMA which offers more flexibility to clients while delivering operational efficiencies, control and oversight to advisors and firms. Where other UMA solutions fall down, InvestEdge's UMA stands up.

- Balancing standardization and customization
- Integrating with existing systems
- Achieving cost-effective compliance

1

Balancing Standardization & Customization

Where traditional UMAs fall down:

The power of UMAs comes from their ability to offer clients a comprehensive overview of their investments while streamlining operations and cost for firms, advisors and trust officers. Yet many UMA solutions struggle to strike the right balance between customization that satisfies clients and standardization that satisfies the bottom line.

Clients require a baseline of customization in order to minimize taxes and find other efficiencies. In these cases, rebalancing to an exact model may not be appropriate. At the same time, a UMA structure needs to support “below the line” investments and accommodate different levels of discretion and working relationships between client and advisor.

This demand for customization extends to reporting as well. Clients want reporting that shows asset allocation and sources of return in a format they’ve come to expect, even if the firm needs to classify an asset – such as a real estate

investment trust – differently within their systems. Inflexible UMA solutions require every advisor and investor using the UMA to categorize investment vehicles the same way. It forces advisors to take a backseat to technology providers and managers in serving their own clients.

For banks and trusts, a UMA solution must increase profitability through minimized trading costs in transactions and fees. Trading operations must support restricted positions as well as income positions.

Ultimately, firms must have the flexibility to classify investments in multiple ways to meet the needs of the client and their own internal systems in order to create consistent representation for trade analysis, holding reports and performance management.



Balancing Standardization & Customization

Where InvestEdge's UMA stands up:

InvestEdge UMA puts control back in the hands of the firm by allowing the organization to assign specific asset classifications based on the firm's approach and clients' collective preferences. All investment vehicles, including model-based manager strategies, in-house investment solutions, mutual funds, ETFs and non-marketable assets can be combined within a single account and are treated as first-tier products. Product designations are tracked at both the holding and transaction level. This structure provides firms with significant efficiencies via centralized trading tools for accounts tracking a model while automatically supporting the need to exclude income cash positions and restricted positions.

The UMA solution is sensitive to trading costs – buys and sales in the same portfolio are netted, and the tax lot selection is completed at the portfolio level, regardless of the investment strategy behind the sale. The solution supports pre-trade compliance alerts, giving advisors the ability to manage sensitive accounts independently from the centralized trading team.

InvestEdge's solution makes it easy for advisors to put client priorities first and justify their fees as a true financial partner while utilizing a standardized approach at the enterprise level.

2

Integrating with Existing System

Where traditional UMAs fall down:

No matter how compelling the insights and capabilities a solution promises are, the ultimate value delivered is only as good as its ability to integrate with existing systems and data structures. Plenty of providers in the bank space promote solutions that ultimately require too much maintenance and offer clumsy integration.

Advisors and trust officers spend too much time logging into different systems for different tasks. All these extra steps threaten data harmony and take time away from developing client relationships. At the organizational reporting level, any UMA data should be integrated with other investment applications and reporting platforms.

This focus on integration ultimately comes down to consistency for the client. Client-facing transitions between one investment application and another should appear seamless with a focus on efficiency in the back end. Clients expect asset classifications, names and descriptions to match how investments were marketed, and market value must be consistent across reports to ensure trusted and verifiable performance results.



Integrating with Existing System

Where InvestEdge's UMA stands up:

InvestEdge UMA solves integration challenges through better design and better data. The tool aggregates data from the trust system and other providers and supports the trading, compliance, reporting and other needs of the UMA accounts. The InvestEdge UMA approach allows the advisor to manage UMA accounts and traditional investment accounts in a consistent manner so that account structure is not driving the investment process.

The result is a win for the firm in facilitating a seamless experience for the advisor and the end client. Workflows are driven by creating new value, and reporting provides clear, defined insights with a better user experience. The solution makes it easy to create a system that integrates and adapts to people's needs, not the other way around.

3

Achieving Cost-effective Compliance

Where traditional UMAs fall down:

Increasingly, compliance with an eye toward efficiency is creating competitive advantages for firms. Any UMA tool must comply with fiduciary standards for the entire portfolio. That means viewing compliance requirements through a single portfolio, correctly mapping asset classifications and identifying concentrations across UMA sleeves or products. Compliance at the aggregate or household level is also crucial for many accounts.

Yet many UMA solutions create gaps in the fiduciary process for providers of financial advice. Advisors seeking a unified solution instead find themselves exposed to regulatory risk resulting from incomplete views of investment options and client reporting that doesn't tell the whole story. What's more, review processes are often inadequate or fail to flag issues in a timely manner.

Achieving Cost-effective Compliance

Where InvestEdge's UMA stands up:

InvestEdge UMA harnesses the power of InvestEdge's proven compliance solution – the industry standard for banks and trusts. The UMA solution leverages the same alerts and workflows organizations depend on for timely and accurate compliance flags and reliable oversight.

Monitoring at the product and underlying security level offers transparency into how holdings and exposures are maintained and can be configured to accommodate back- or middle-office compliance processes and any level of internal or external oversight. As a result, advisors can spend more time fostering relationships and less time double checking red flags.

This solution, built on InvestEdge's superior data aggregation tools, makes it easy to incorporate UMAs into a comprehensive approach to risk and compliance while effectively managing a client's assets.



InvestEdge UMA

Customization, Integration, Visibility

InvestEdge has created a new UMA solution that meets the demands of a rapidly changing industry.

InvestEdge UMA doesn't just unify accounts — it creates a single process for managing a client's assets and deepening the advisor-client relationship. It offers unparalleled views into a client's entire spectrum of holdings while integrating with InvestEdge's industry-leading compliance tools and comprehensive solution set.

InvestEdge UMA is reimagining what's possible with managed accounts.

Learn more and see what else we're working on at www.investedge.com.

If you would like more information about our award-winning reporting solution or would like to schedule a live demo, please contact Chris Ollendike at 610-747-0123 ext 132.