Perspective

Optimize your investment management processes

Making rebalancing technology a strategic move for your firm

TD Ameritrade Institutional

Implement rebalancing technology to distinguish your firm

If your firm is like most, you're striving to ensure the best outcomes for your clients, increase your operational efficiency, and grow your business—without adding cost.

Your ongoing list of goals and objectives might include spending more quality time with your clients, increasing referrals, reducing administrative drains, and automating operations. Prioritizing all of the items on your list can be daunting, especially given the thoughtful attention you give to your clients while running a thriving and complex business.

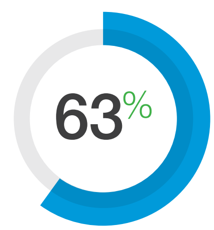
TD Ameritrade Institutional works with thousands of Registered Investment Advisors (RIAs) to help make it easier to pursue their goals and objectives. One of the ideas we routinely discuss is the implementation of the "right" rebalancing technology to introduce consistency, discipline, and efficiency by reducing otherwise manual processes.

Advisors often seek ways to simplify their day-to-day activities and enhance client service, without increasing overhead or sacrificing their unique approach to portfolio management. Modern rebalancing technology can play an important role in reducing some of the legwork involved in portfolio monitoring and ensuring your clients benefit from your firm's best ideas.

Only 63% of advisors are using rebalancing technology[1], despite the well-known benefits. In fact, top-performing firms who achieve higher operating profit margin, the highest levels of revenue per client, and, on average, have almost twice the assets under management, use the same number of software solutions as all others, but are more likely to use portfolio rebalancing software.[2]

Using rebalancing technology can be a strategic move to help drive efficiency into your business, enable scalable growth, allow you to enhance your client service and set your firm apart.

Set your firm apart



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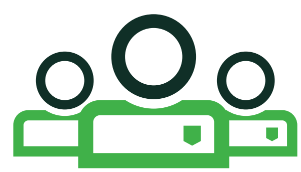

Top-performing firms who achieve the highest levels of profitability per client and revenue per staff member use the same number of software solutions as all others, but are more likely to use portfolio rebalancing software.[2]

[1] Bruckenstein, Joel. "The eAdvisor Cometh, is Your Firm Ready?" Financial Planning, December 1, 2015.

[2] Top performers are defined as the top 25% of firms in the *InvestmentNews* 2015 Adviser Technology Study, based on a composite score that included: profitability (earnings before owner compensation), growth (compounded annual revenue growth rate), and productivity (revenue per total staff).

Optimize your investment management processes with modern rebalancing

TD Ameritrade Institutional offers smart rebalancing technology in the form of iRebal®, the "Intelligent Rebalancer." By leveraging iRebal, you can optimize your approach to portfolio management and create efficiencies to help you pursue key business goals.

	Key business goals to pursue
1	Document business rules and investment decisions
2	Centralize investment decisions
3	Simplify and integrate portfolio management practices
4	Incorporate scale to grow your business

Goal #1: Document business rules and investment decisions

The challenge firms face: Investment decisions are often implemented by a few key people, with knowledge and considerations "living" in each associate's head, potentially posing a business risk if a key person leaves. Publishing everyday practices for investment decisions can aid in risk management, though documenting business rules and processes manually can be time consuming and tedious.

The benefits of rebalancing technology: Building business rules into a sophisticated rebalancing tool such as iRebal can remove the reliance on the knowledge of select individuals for investment decisions, save time otherwise spent documenting manual processes, and foster business continuity. Rules are documented within iRebal for reference by entitled users, and iRebal also saves the history of approvals and trades for compliance reporting.

Save time on manual processes

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Goal #2: Centralize investment decisions

The challenge firms face: Within larger firms, investment decisions may be made by individual advisors, resulting in each having their own culture of portfolio structure. This lack of consistency can leave clients questioning the firm's approach to investment management.

The benefits of rebalancing technology: Centralizing investment management functions often results in operational efficiency and a more consistent investment approach across a firm's entire client base. The use of rebalancing technology can take that a step further by promoting a specific discipline that a firm might bring to portfolio management, such as proactive tax management or creating recurring scheduled rebalancing events. Rules can be customized according to unique client circumstances, offering flexibility for advisors while still providing service true to your firm's investment management philosophy.

Goal #3: Simplify and integrate portfolio management practices

The challenge firms face: Pulling information from disparate systems (a portfolio management system, a CRM system, and custodial platform) and inputting data into spreadsheets is time consuming and labor intensive. Doing so typically equates to a lead time of several weeks or even months to implement model changes or to rebalance portfolios. It can also be a highly error-prone process.

The benefits of rebalancing technology: iRebal can reduce week-long processes down to hours and help reduce some of the legwork involved in monitoring portfolios. Advisors can proactively identify key tactical opportunities, such as tax loss harvesting*, as part of their routine portfolio monitoring process and seize market opportunities on a more timely basis.

Having a defined rebalancing strategy can equate to more disciplined risk management, so streamlining the rebalancing process also minimizes dispersion of client performance versus benchmarks.

Increase time with clients

117%

Fully integrating your technology can increase the amount of time you spend with your clients by 117%.[3]

[3] Aite Group Survey of RIAs, 2011

Goal #4: Incorporate scale to grow your business

The challenge firms face: For larger firms, there may be a team of associates involved in portfolio management. As a business grows, it will require firms to add more human capital to keep up with the volume of processes they have in place. Scale is not easily attainable, given the intensity and complexity of those manual processes.

The benefits of rebalancing technology: Implementing rebalancing technology such as iRebal can enable firms to handle a much higher trade volume without adding staff, creating a springboard for organic growth.

- Creating scale without increasing trading resources allows a wider range of investors to benefit from your firm's services, while ensuring that all clients receive the same high level of disciplined investment management service.
- Introducing efficiencies often enables firms to redeploy human capital resources to other areas of the business or more client-facing activities.
- Reducing manual processes also frees up time for senior decision makers to focus on strategy and growing their business, and potentially better position firms looking to grow through acquisition or merger by attracting partners given the infrastructure in place.

Stay focused on achieving your goals

Don’t be held back—sticking with manual processes or jumping from one application to another could be a costly mistake. Understand some of the common reasons holding advisors back and learn how to stay focused on achieving your key business goals.

1. Lack of awareness

Ignorance is bliss, and doing something the way it’s always been done (and not recognizing inefficiencies inherent to manual processes) can be a hurdle in front of success for some firms.

How to overcome it: Leverage your peer network. Find out who uses rebalancing technology and learn about their experience. What were their top choices and why? Hear how it has benefited their businesses and their clients.

2. Inertia

There are many advisors who do recognize their firm’s inefficiencies and truly want to overcome them. They window shop for technology solutions, repeatedly vow to make a change, but never actually make the purchase and move ahead. Why is that? Often those advisors become absorbed with “other priorities,” or feel they don’t have the in-house expertise to move ahead and decide that doing nothing is easier than making a change (even if it could benefit their firm in the long run).

How to overcome it: Look at the statistics. Top-performing firms are more likely to use portfolio rebalancing software.[4] TD Ameritrade can help you to understand the benefits of iRebal and work with you to implement it within your firm.

[4] Top performers are defined as the top 25% of firms in the *InvestmentNews* 2015 Adviser Technology Study, based on a composite score that included: profitability (earnings before owner compensation), growth (compounded annual revenue growth rate), and productivity (revenue per total staff).

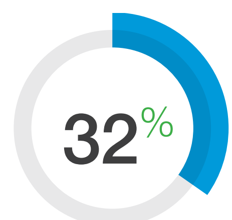
3. Lack of time—focused on “other priorities”

If your firm is like most, you set out each year to make a strategic list of goals and objectives you would like to accomplish, then prioritize those goals, attach a budget to each, and decide which to implement. Then you put a tactical plan in place to accomplish each, to maximize efficiency and minimize disruption to your firm while staying on budget and meeting deadlines.

It’s a smart process, though it can be easy to fall into a common trap. You may decide you can’t accomplish everything you’ve identified due to resource constraints and start to whittle down your list. This could result in making tradeoffs that leave a potentially advantageous opportunity on the table—despite the obvious benefits.

How to overcome it: This year make it your number one priority. 32% of firms report that the lack of time needed to fully integrate technology systems is their biggest hurdle to integration[5]. Finding time may always be a challenge, so first make the time to understand how implementing technology can be a strategic move for your firm. Once you uncover the economic benefits for your firm, you’ll be better able to keep it at the top of the priority list.

Make time for technology



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4. Cost

Historically, the cost of top rebalancing products and the limitations of more inexpensive solutions have created a gap in the market and left many advisors with inefficient, labor-intensive processes. Advisors may have a perception that rebalancing technology comes with a price tag that is out of reach for their firm. However, technology continues to evolve and, in fact, that is not always the case.

How to overcome it: Learn more about iRebal. TD Ameritrade offers a web-based version of iRebal on Veo®—our account management and trading platform—at no additional cost for accounts custodied at TD Ameritrade Institutional.

Get started

To learn more about how rebalancing technology can optimize your portfolio management processes and set your firm apart, call 800-934-6124 today.

www.iRebal.com

What is holding firms back from implementing rebalancing technology?

[5] TD Ameritrade RIA Sentiment Survey, January 2014

Notes

Connect with an experienced consultant today.

CALL 800-934-6124

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*iRebal offers a flexible tax harvesting feature that allows you to set various loss thresholds for taxable accounts, total loss targets for portfolios, and choose a replacement security for each harvested security. Once the thresholds have been set, iRebal identifies eligible losses in taxable accounts, and shows you the securities that fit the criteria that you have defined.

TD Ameritrade does not provide tax advice. We suggest that you seek the advice of a qualified tax-planning professional with regard to your personal circumstances.

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