

PERSPECTIVES

Four Critical Factors That May Help Firms Drive Growth with Unified Managed Accounts



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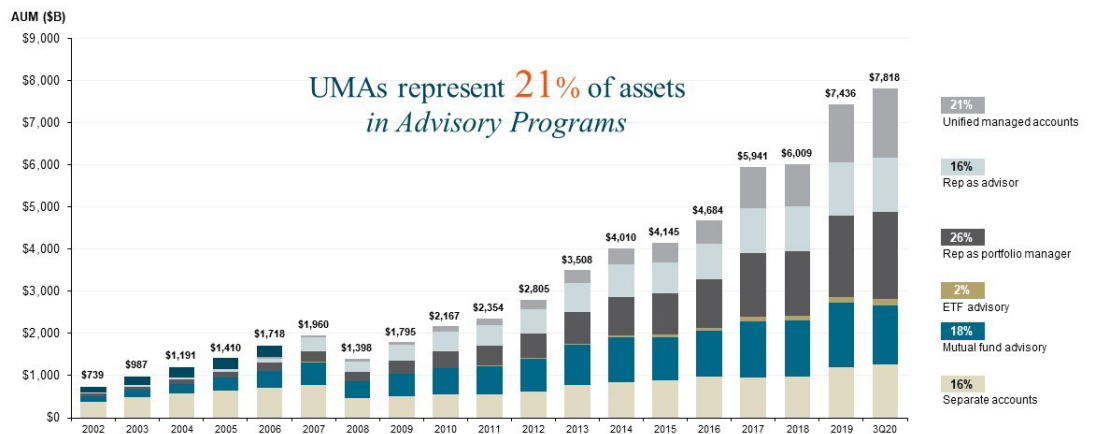
The wealth management industry’s adoption of unified managed accounts (UMAs) is maintaining a steep trajectory, accounting for about 21% of all assets in advisory programs as of the third quarter of 2020, according to Cerulli Associates.

This is impressive progress for a concept that was barely on advisors’ radar screens just a decade and a half ago.

Experts agree that the growth in UMA popularity has been driven by a combination of demographic, technological and regulatory factors. Many of these same experts project that UMAs will continue their ascent and will ultimately become the dominant model for managing the wealth of sophisticated investors.

GROWTH OF UNIFIED MANAGED ACCOUNTS

Assets in UMAs have grown steadily over the last 15 years, driven in large part by changing investor demands and a shifting regulatory landscape.



Sources: The Cerulli Report, U.S. Managed Accounts 2018; The Cerulli Report, U.S. Managed Accounts 2019; The Cerulli Edge, U.S. Managed Accounts Edition, 4Q 2020. Chart created by Lockwood Advisors, Inc.

Why have UMAs risen to such prominence? One reason is that advisors and investors have increasingly demanded a holistic view of their investments. Another reason is that UMAs deliver value to the entire range of stakeholders. That is, adoption of UMAs can generate attractive benefits for investors, advisors and home office teams of wealth management firms. The following is a high-level summary of these potential benefits, which will vary in their fulfillment based on the provider partner.

UMA Benefits for Investors

- **Account consolidation** – Brings together the investor’s entire range of holdings, from mutual funds and exchange-traded funds (ETFs), to bonds and commodities, to separately managed account (SMA) strategies
- **Simplification** – Easier to grasp the roles and interdependencies of various holdings
- **Potential tax advantages** – Facilitates decision-making that may result in greater tax efficiency in the portfolio

UMA Benefits for Advisors

- **Choice** – Access to a broad range of investment options across different investment vehicles including mutual funds, ETFs and individual securities from many investment providers
- **Customization** – Ability to build a range of model portfolios to help meet investor needs
- **Convenience** – Ability to combine multiple managers and strategies in one account, which means one investor fee and one statement

UMA Benefits for Firms’ Home Office Teams

- **Efficiency** – By adopting a partner’s integrated, end-to-end solution, the wealth management firm can potentially generate significant operational efficiencies
- **Flexibility** – Firms have an opportunity to consolidate siloed products and reduce the number of partner firms (sometimes dozens) and the complexity and risk they add to managing investor accounts
- **Control and compliance** – The UMA partner company may be equipped to oversee all of the investments in the program and automatically re-balance portfolios to keep them aligned with investor objectives

The takeaway is that UMAs have the potential to deliver meaningful value to all the key stakeholders in the relationship.

FACTORS TO WEIGH WHEN CHOOSING A UMA PROVIDER

Since UMAs first made their appearance, the universe of providers has expanded significantly. It’s important to understand that provider offerings differ in certain ways, which may influence a firm’s decision to choose one over another.

Consider these four questions when assessing UMA providers—before you sign on the dotted line:

1. How is the UMA product structured and what are its value-added offerings?

Look beyond the product’s core features to see how the provider can help your firm more effectively serve its investor base. Some providers, for example, will go beyond providing platforms and guidebooks to deliver consulting services to home office teams and advisors to optimize their benefits from UMA deployment.

2. Is the universe of investment options right for your firm?

Some platforms offer a limited number of choices when it comes to investment strategies. Such narrow offerings can ultimately hamper the competitiveness of the firm. Other platforms, on the other hand, take an “all of the above” approach to their menu of investment options, which can make it harder for advisors and investors to find and assess the best options for them. Somewhere in the middle are a few players who present firms with a curated list of options that preserve significant choice but do not overwhelm the decision-makers.

3. Will the provider’s technology enable an optimal experience for the investor, advisor and firm?

When the entirety of the investor’s portfolio is consolidated into one account, and on one platform, then every aspect of the technology must be fine-tuned to ensure simplicity, efficiency and a first-rate experience.

UNIFIED MANAGED ACCOUNTS – AT A GLANCE

A UMA is a professionally managed advisory account comprised of multiple investment products such as SMA strategies, mutual funds, ETFs and individual securities in an investor’s portfolio, all in a single account. Depending on the partner providing the solution, a UMA might feature:

- Strategist models
- Trade processing across account and sleeve levels
- Overlay management for rebalancing, cash management and program administration
- Performance at household, account and sleeve levels
- Billing based on target or actual model allocation

4. How experienced is the provider in navigating the regulatory landscape and absorbing market shocks?

Over the last 15 years, our industry has endured several shocks to the financial markets. At the same time, the regulatory landscape has become more challenging to manage and navigate. As such, consider how the UMA partner has demonstrated its financial resiliency across an extended period of time and market cycles and whether its grasp of regulatory issues can help your firm respond to changes that can affect profitability.

OUR PERSPECTIVE

BNY Mellon | Pershing and Lockwood Advisors, Inc. (Lockwood) believe that UMAs can benefit a broad range of investors, not just the very wealthy. That's why we offer the Lockwood Flexible UMA with an account minimum of \$50,000, which is below many of our competitors. We believe that advisors should be able to ask of an investor, "Is a UMA a good fit for this person?" rather than, "Does this investor have enough money to be eligible?" In other words, we want to enable advisors to follow their instincts as fiduciaries without the barrier of too-high account minimums.

Relatedly, we place great emphasis on empowering advisors to customize investment options for their investors. We fine-tune our platform to offer flexibility and choice, without overwhelming the advisor with unvetted options that add little value. Lockwood provides asset allocation guidance and investment vehicle monitoring, and we offer consulting services to advisors, as well, to help them unlock the greatest possible value from our UMA solution.¹

Finally, Pershing and Lockwood are leaders in managing all types of risk for our business and for our clients. Do you want a partner with the strength and stability of BNY Mellon to be with you the next time the markets challenge us?

For more information on the Lockwood Flexible Unified Managed Account, please speak to your regional director or call us as (800) 200-3033, option 2.

For more information about Lockwood, as well as its products, fees and services, please refer to Lockwood's Form CRS (Customer Relationship Summary) and applicable Form ADV Part 2 Brochure which may be obtained through your financial advisor or by writing to: Lockwood, Attn: Legal Department (AIM #19K-0203), 760 Moore Road, King of Prussia, PA 19406, or by calling (800) 200-3033, option 3.

¹In providing these outsourcing services, Lockwood is not assuming responsibility for the advisory firm's regulatory compliance or providing advice or recommendations directly to investors. The advisory firm is responsible for independently evaluating the output of these outsourcing services and determining whether or not to implement any practices suggested as a result thereof.

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