Casual Friday: Dividend Increases + "UMA Crusader" – December, 11th 2020

Dividend Increases:

- Bristol Myers - **Increases Dividend 9%** - Dividend Yield 3.1%
- W. P. Carey Inc. (WPC) - **Increases Dividend 1%** - Dividend Yield 6.10%
- Abbott (ABT) - **Increases Dividend 25%** - Dividend Yield 1.70%
- Pfizer (PFE) - **Increases Dividend 3%** - Dividend Yield 3.7%

On deck for next week, we expect increases from T, AMGN. (Source: Indicated Dividend Yield - Bloomberg)

UMA Crusader?
The bustle of an advisor's day... Three client reviews, one new prospect meeting, implementing a new marketing campaign, reviewing a top client's financial plan because she’s selling her business, the phone rings and compliance needs documents, prep for tomorrow’s meetings, trading, account rebalancing, a wholesaler interrupts – the list goes on...

Is it worth my time?

Today’s financial advisor has a million things to do throughout the day. The challenge is how to prioritize daily activities. We’ve seen studies showing 78% of advisors cite new business as a top priority, but up to a 1/3 of an advisor’s day is spent on you guessed it…Compliance and admin. Time is your most precious commodity. (Source: Natixus)

A top producing advisor quoted: “I should only be doing three things: meeting with clients/prospects, strategically planning for them or working to improve my business model.” We could argue a bit about his buckets, but his point was very intentional. He only takes on the most accretive and productive tasks. He delegates everything else to someone else or more importantly, finds technology resources to outsource.

$250 x 40hrs x 50 Weeks = $500,000

When planning out your business model, start with the math... every $500,000 a year in production means your time is worth roughly $250 an hour. If your production level exceeds this, you have to constantly challenge yourself - Would another advisor pay me or would I pay someone $250 an hour to do any of these tasks?

- Prepare performance reports across multiple accts
- Tax loss harvest trading
- Trade each client account one at a time
- Account rebalancing
- Data input, multiple account openings

We see advisors far too often getting sucked in to these tasks and to be brutally honest – It’s highly unlikely you would pay someone $250 an hour or more to complete, so why the heck do you continue to do them?

The Next Big Thing...has been here for a while.

Unified Managed Accounts (UMA’s) were first offered in 2004 and assets have grown at a rate of 23.8% and have captured nearly $2 trillion in assets. The UMA structure has allowed for huge gains in advisor productivity for those adopting across their practice. (Yes, there is typically a cost for adopting technologies but focus on the opportunity cost of
your time). UMA gives you the ability to combine multiple strategies (SMA’s, ETF’s, mutual funds, advisor directed strategies) into one consolidated account/account number. Clients open and receive one statement. Many offer a single dashboard seamlessly connected to: front end planning tools, account opening technology, access to manager presentations, multi-manager investment proposals, rebalancing, and performance reporting.

Outside of the obvious, what are some of the real-life applications we've seen?

Trading / Portfolio Management Efficiency
Advisor Quote: “I needed to make portfolio changes faster and couldn’t get it all done.”

Imagine March of 2020… How quickly were you able to react for all of your clients during these swift market moves? Did implementation drag have a cost you or your clients?

Instead of calling clients, sorting through tickers in the book, figuring out allocations, the UMA structure (usually) allows advisors to make wholesale changes to client allocations very quickly from the dashboard - in a few key strokes. This advisor culled down the number of tickers in the book, adopted a model approach - his highest conviction equity ideas in one sleeve and fixed income in the other - assigned allocations to his clients and could essentially trade across 75% of his book in a matter of minutes.

Professional Money Management at Effective Cost
Advisor Quote: “I thought manager fees in UMA were way higher.”

Remember the cost prohibitive days of hiring third party professional money managers? Just a couple of decades ago, clients could spend 4%+ collectively on a professional manager and advisor fees. UMA’s offer separate account managers efficiencies too so manager costs have come down significantly in most cases.

Advisors are realizing platform costs and manager fees are becoming more and more attractive relative to benefits offered. Today we have plenty of advisors who hire Berkshire in a UMA and pair with a handful of either equity ETFs or fixed ETF’s (which often have lower fees). The blended fees create attractive price points and when you combine them with UMA efficiency makes the offering appealing in our opinion. The advisor we work for has been transitioning his book from a mutual fund platform in to UMA, gaining a "boutique" manager in Berkshire and has lowered his all-in costs to clients.

Rebalancing / Tax Loss Harvesting
Advisor Quote: “I've been rebalancing and tax loss harvesting one account at a time for 20 years now...”

It just seems like this one doesn't make any sense - It's 2020 and there are so many tools including UMA that allow this to become an automated process. For "qualified" accounts, let the system completely take over the rebalancing process. You may find exceptions, but why wouldn't you want your clients to all experience very similar results of your highest conviction ideas in line with their risk tolerance? For tax loss harvesting, some UMAs have automated triggers to tax harvest positions at a loss and replace with a sector ETF for the 31 days.

As many embark on 2021 business plans, we often hear the echo of “I want to make client service and client communication my top priority”. In order for advisors to make this their top priority, we believe it is so important for advisors to understand the technology solutions at their disposal. Time demands and client demands are greater than ever. These solutions are creating such huge efficiencies that we see gaps widening between those adopting and those not. If you want to discuss UMA in greater detail or other best practices give us a call!
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