



# TAMPS Simplified.

Getting started with Turnkey Asset Management Programs to grow your advisory firm.

# Introduction

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As trust companies, broker-dealers, registered investment advisor firm and family offices now turn increasingly towards outsourced investment management solutions, advisors face challenges. How can they integrate multiple providers into a seamless experience for clients? How can they be sure they are selecting the right asset managers for their program? How can they deliver superior reporting and service? How can they focus their time on managing relationships and prospecting for new clients, rather than troubleshooting back-office issues? And how can they manage costs and increase their own profitability?

Turnkey Asset Management Programs (TAMPs) are the “win-win” solution. These technology systems give you seamless access to outsourced investment management to deliver better results to your clients and your firm. They are an increasingly important part of the advisory landscape.

TAMPs offer you a broad range of carefully vetted investment manager options, whose services are supported by everything from reporting to compliance to operations. TAMPs allow you to work with your clients more efficiently, offer them greater variety in money manager styles and products and provide more customized reporting and service.

These platforms will enable you to talk with your clients more often and more effectively through mobile and web-based channels. Through these capabilities, clients can get information faster, on their own and at their convenience, which leads to greater customer satisfaction. Because TAMPs outsource all these functions, you will have more time to do what you do best interact with your clients to provide the greatest value to the relationship.

TAMPs have grown fast

Turnkey asset management platforms have grown rapidly through the 2000s, and, as of 2012, had approximately \$250 billion in assets under management.

Just twenty years ago, less than a billion dollars was being managed by TAMPs. Today, approximately one-quarter trillion dollars of assets are managed on TAMP platforms.



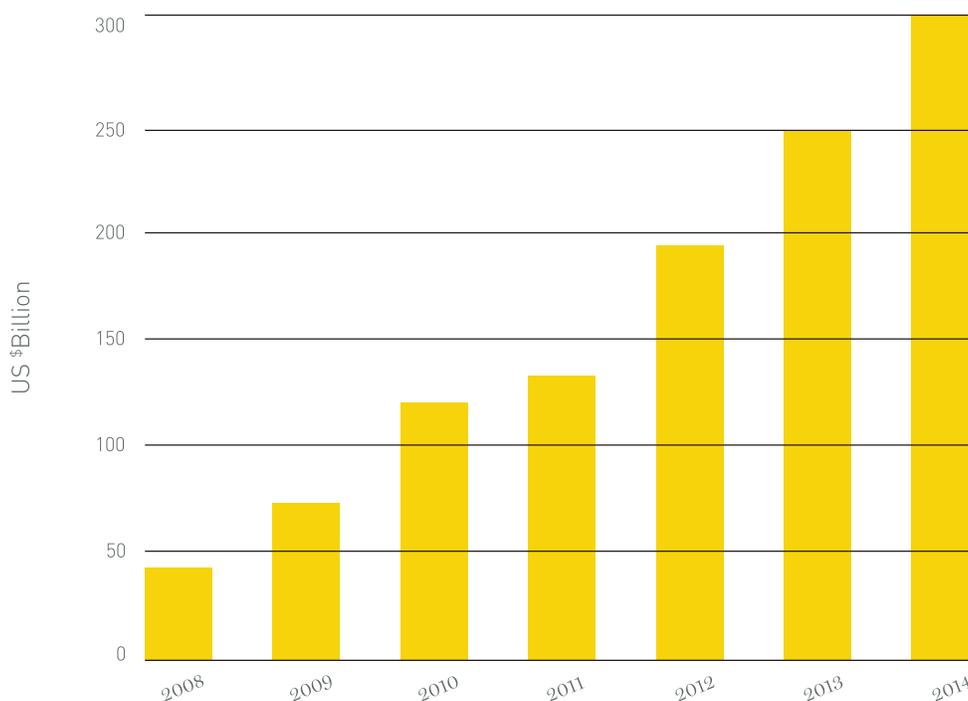
# What is a TAMP?

TAMPs provide a variety of services, but all TAMPs have two major aspects in common:

First, they provide a platform to help advisors manage client relationships. The TAMP automates many of the functions that support your wealth management practice, including transacting and sending client funds to the asset manager, reporting to the client through statements and interacting with the client online and through mobile technology. Advisors no longer have to balance their time between meeting with clients, managing money, and researching mutual funds, ETFs and different asset management firms. Hiring a TAMP to conduct back-end reporting functions, administrative, accounting, and investment management solutions means more time spent with clients. Advisors can now focus on building and acquiring relationships that will increase revenues far more than the cost of outsourcing.

And second, they give advisors access to third-party institutional asset managers to manage the clients' assets. Instead of selecting the stock of Company A or the bond from Company B, financial advisors using TAMPs sit on the same side of the table with clients. Together they review the performance of both well-known and innovative asset managers, picking and choosing among various portfolios for their clients. Focusing on the asset allocation mix allows for better client risk management, which remains a major concern since the 2008 financial crisis. Stronger client-advisor relationships provide a greater reason for clients to aggregate more assets with someone who knows their holistic financial picture, rather than just a "stock-picker!"

## Tamp Assets Under Management



SOURCE: MMI and TheTrustAdvisor

# What can a TAMP do for your practice?

Turnkey asset management platforms provide a broad array of capabilities to support your business including:

## Asset Allocation

Most TAMPs offer strategic, static, and tactical asset allocation models across a range of standard style boxes and alternative asset classes.

## Investment Products

TAMPs use open architecture to allow for financial advisors to offer a combination of proprietary and non-proprietary strategies for greater flexibility, greater investment options, and a reduction of potential conflicts of interest.

A broad array of investments is essential for capturing high net worth individuals. The mix should include mutual funds, ETFs, SMA, securities, and alternative investments. Overlay managers assist financial advisors in model portfolio implementation, trading efficiency, risk management, investment customization, and tax optimization. For platforms using a rules-based overlay tool, the tax and trading efficiency is maintained without the input of another expert, albeit at a lower cost than the overlay manager model.

## Portfolio construction

TAMP platforms can offer customized portfolio construction services that integrate your clients' unique needs into research-driven asset allocation models. As part of the portfolio construction process, your provider should carefully monitor divergence from the model as well as the implementation of client restrictions. Top-notch providers have the ability to efficiently input and manage client restrictions on ac-

counts. This will enable you and your client to manage the harvesting of gains or losses, minimizing the tax impact of each portfolio as well as excluding unwanted securities or positions.

## Operations And Service

Through technology, TAMPs can automate many of the time-consuming tasks of managing an advisory practice – including generating client proposals, providing side-by-side comparisons of asset managers, retrieving account information, rebalancing portfolios and implementing client-specific guidelines. A good TAMP will also provide seamless back-office services including opening and closing accounts and executing trade orders.

Your TAMP will also provide additional reporting, in addition to the periodic reports you receive from your custodian which may include enhancements such as portfolio performance versus its benchmark, risk/reward portfolio metrics and security, sector and industry weightings.

If there are multiple asset classes and managers, the performance report must be able to demonstrate the performance of each. Absent this, a user cannot reasonably evaluate and identify sources of risk, sources of return and sources of under-performance.

Finally, your TAMP may offer the ability to aggregate the assets that your clients hold with you and at other financial institutions to give a more holistic view of the portfolio. This kind of aggregated, truly unified reporting and portfolio strategy can help you increase your value as an advisor to clients and enable you to gain a greater share of the total portfolio.

**TAMPs enable stronger client-advisor relationships that can help you aggregate assets held at other firms.**

# Benefits To Advisors

Why incorporate a TAMP into your practice? Successful advisors who use the platform say that it brings a number of benefits, including:

## Client Retention

Client loyalty isn't what it used to be. Investors today are more savvy and engaged about investing than they were in the past. With on-line access to a steady stream of market information, it's easier for them to keep track of how their investments are doing relative to key benchmarks. They can read research and hear hot companies touted on CNBC. They are more inclined to look over your shoulder, ask questions and pay attention to performance. And they aren't hesitant about moving their assets if they're not satisfied.

Many banks try to maximize their clients' investment in proprietary products, but their third-party offerings don't extend beyond some mutual fund, wrap and SMA programs. With a TAMP approach, you are giving clients access to a broader universe of investment opportunities and the expertise of skilled specialists, increasing the likelihood of competitive performance. Clients will appreciate not being locked in to a standard set of products and less likely to leave. In fact, freed of the responsibility of managing investments or due diligence on managers and mutual funds, you will have more time to focus on cultivating the relationship and attracting a larger share of the client's assets.

## Prospecting

Trust companies face strong competition from investment management programs offered by broker-dealers and independent advisors. Trust companies that lean too heavily on closed, proprietary solutions are vulnerable to independent advisors who can claim to have no product agenda. And prospects may question whether you are truly meeting your fiduciary responsibility to invest in their best interest if your product offering is limited and largely proprietary

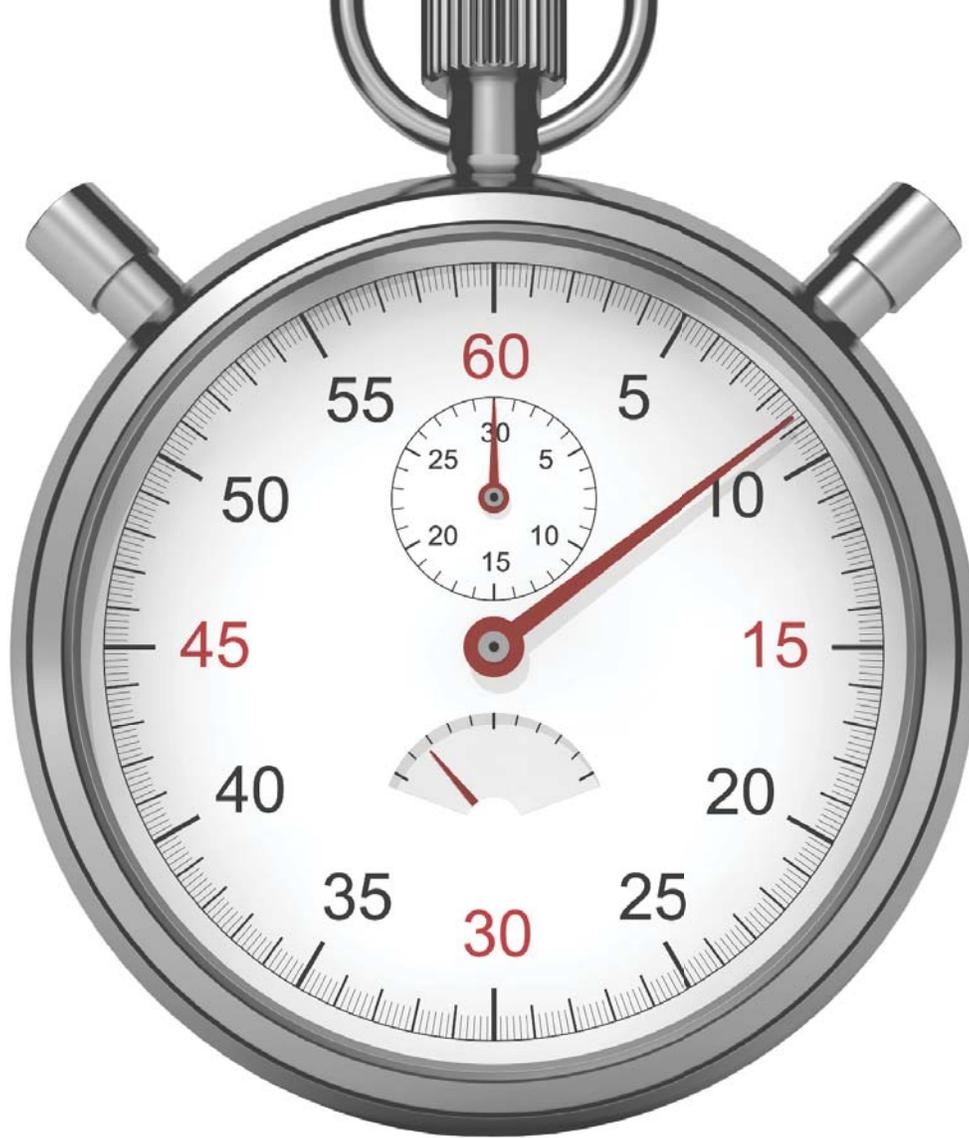
A turnkey asset management platform levels the playing field. The open architecture enables the trust institution to offer a modern, competitive investment approach, the merits of which are immediately apparent when compared to the competition. It also allows trust officers more time to spend on marketing and serves as a more effective marketing tool.

TAMPs' broad range of proprietary and non-proprietary strategies gives you greater flexibility, greater investment options and fewer conflicts of interest.

# Five Types of TAMP Accounts

There are five varieties of account types offered by TAMPs. With each account type, the type of investment, associated fees, and the role of the TAMP changes significantly. The division of fees between the TAMP, individual investment asset manager and sponsor also changes with each type of program. In order of sophistication and complexity, the five TAMP programs are described in the table below:

	Assets	Value Added	Fees	Account Minimum
Mutual Fund Wrap Accounts	A basket of mutual funds selected from the prescreened professional managers on the TAMP platform.	Due diligence on managers to ensure they are utilizing a specific investment strategy.	.75%-1.5%	\$25,000
Exchange Traded Funds (ETF) Wrap Accounts	ETFs	Provides investors with a benchmark return at minimal cost	.75%-1.25%	\$25,000 (??)
Separately Managed Accounts (SMAS)	Professionally managed portfolios comprised of individual securities	Customized to client needs; flexibility to manage tax gains and losses	1.5%-2.5%	\$50,000 \$100,000 depending on provider
Unified Managed Accounts (UMAS)	All investment types – including mutual funds, individual stocks and bonds and ETFs—in a single account.	Professional manager makes all decisions on a discretionary basis, using overlays to rebalance asset allocation back to target.	1.5%-2.5%	\$250,000 \$500,000
Unified Managed Households (UMHS)	Same as UMAs	Provides UMA management services to multiple individual within a household	1.5%-2.5%	???



# Save Time

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## Cost-Efficiency

Servicing trust accounts and managing investment portfolios are time-consuming and labor-intensive, and require significant attention from senior-level professionals. A TAMP offers a level of automation and scalability that enables institutions to keep headcount low and redeploy staff to more productive activity. Portfolio managers can oversee many more accounts when they are freed from having to pick individual securities or research and select mutual funds. Outsourcing non-core wealth management functions such as trading, back-office reconciliation, manager due diligence and research streamlines internal operations, eliminates many manual processes and reduces overhead.

## Increased Profitability

The pressure to be competitive on both fees and service means that margins have gotten thin in recent years. Banks in particular are looking for ways to add incremental profitability as their traditional revenue sources – credit and deposits – are being squeezed by the uncertain economy, putting additional pressure on trust operations to make a bigger contribution to the bottom line. All of these advantages – keeping and growing high-value clients, attracting new clients and containing operational costs – translate into higher profits.



# What To Look For In A Turnkey Asset Management Platform

A TAMP enables banks and trust companies to reap the advantages of technology in the form of increased efficiency and improved client service. Of course, technology does not simply “take over” the investment management process. Rather, it leverages the skills and enhances the effectiveness of those who use it.

Not all TAMPs are alike, and there is no one-size-fits-all solution. A provider should be willing to listen carefully to your business goals and help you determine exactly what you need. The solution should have the flexibility for a high degree of customization to your operational needs. If, for example, a provider says you need to rip out your existing trust or portfolio accounting system, change custodians or refuse to include your preferred managers or your own internal products on the platform, you might want to show them the door immediately. This type of inflexibility is characteristic of first-generation multi-manager platforms and will follow the way of the dinosaurs within the next five years. Worse yet, if there are any signs of manual processing of transactions, pre or post-trade, this is equally unacceptable.

## Build your business on a turnkey foundation

A turnkey asset management can help you take your practice to the next level, providing multiple investment options and additional services to your clients. If you’re looking for a way to offer best of class investments, streamlined processing and reporting and online and mobile-accessible access, consider a TAMP from *ftj* | **FundChoice**.

The right solution will fit in easily with your existing technology infrastructure. The software must be able to integrate with your trust accounting or portfolio accounting system so that transactions can be uploaded daily and you can monitor positions in a timely manner. The system should also be able to generate performance reports at any interval that the institution requires. Many firms opt to build out a TAMP program gradually. The provider should be able to accommodate this by offering a menu of services and variable pricing. Look for a provider that offers an “any or all” proposition – rather than “all or nothing.”

Another important consideration is the provider’s process for vetting and enlisting managers. Does the provider have a long track record? Has it succeeded in attracting best-of-breed talent? What kind of performance history do its managers have? In short, if these are the people who will be doing due diligence on your managers, you’ll want to be thorough in your due diligence on them.

# About *ftj* | FundChoice

*ftj* | FundChoice, LLC is a leading provider of investment, reporting and service solutions. Whether you outsource investment management to third-party strategists or run your own model portfolios, our technology and service offer you the flexibility your business needs to grow. We offer products and services that provide advisors with freedom and flexibility. From a dedicated service team acting as your back-office to a multitude of investment options, *ftj* | FundChoice is a valuable partner in simplifying your business.

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