



Virtual Office News

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Reprint

Trust Company of America's TCAdvisor: The Ultimate in Portfolio Modeling Efficiency

By David J. Drucker

[Trust Company of America](#) has always had a lot to offer as a custodian. An article I did on TCA for *Financial Advisor* magazine ("[In the Land of Giants](#)," November 2007) explains the distinctions and advantages of its service vis-à-vis services of larger custodians. This article focuses on its latest improvements to TCAdvisor, its integrated, managed-strategies trading platform.

As background, though, TCA has been a custodian for 35 years, entering the advisor business about 10 years ago. Around 2003-04, TCA came out with its trading platform, telling me at the time, "Our software is radically different than what anyone else in the market has." Having seen its latest version of TCAdvisor, I would have to agree.

The one word you should think of when you think of TCAdvisor is "Modeling." Very simply, if you run your trading operation on customized model portfolios of your own creation, and if you've never taken a look at TCAdvisor, then it's a must-see. TCA has devoted the vast majority of its programming expertise to this model portfolio approach to portfolio management.

How does this differ from other custodians' approaches to modeling? With TCAdvisor, an advisor can employ multiple models within a single account, as well as different models across all accounts. With other custodians, modeled portfolios are often treated as separate accounts and must be rebalanced and managed by the advisor as such. Rebalancing with TCA's models is much easier, as you'll understand later in the article.

With all the emphasis on modeling, though, you also need to know that models are just one facet of TCA's three-facet approach to building what it thinks is the world's best trading platform. Here's what TCAdvisor is *not*:

In a typical custodial setup, the advisor runs portfolio management/accounting software and operates some type of rebalancing system separate and apart from the custodian's trading platform. The portfolio management software is updated for trades that come down from the custodian, information is passed

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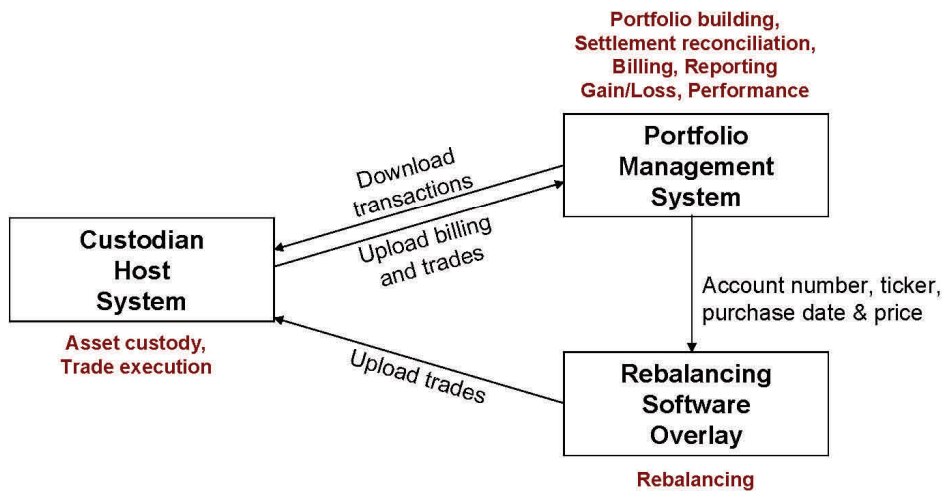
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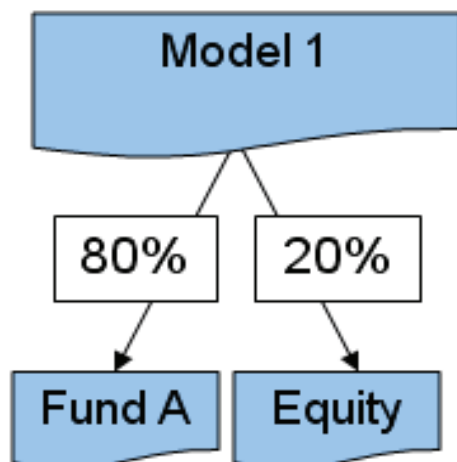
Traditional Custodian Integration



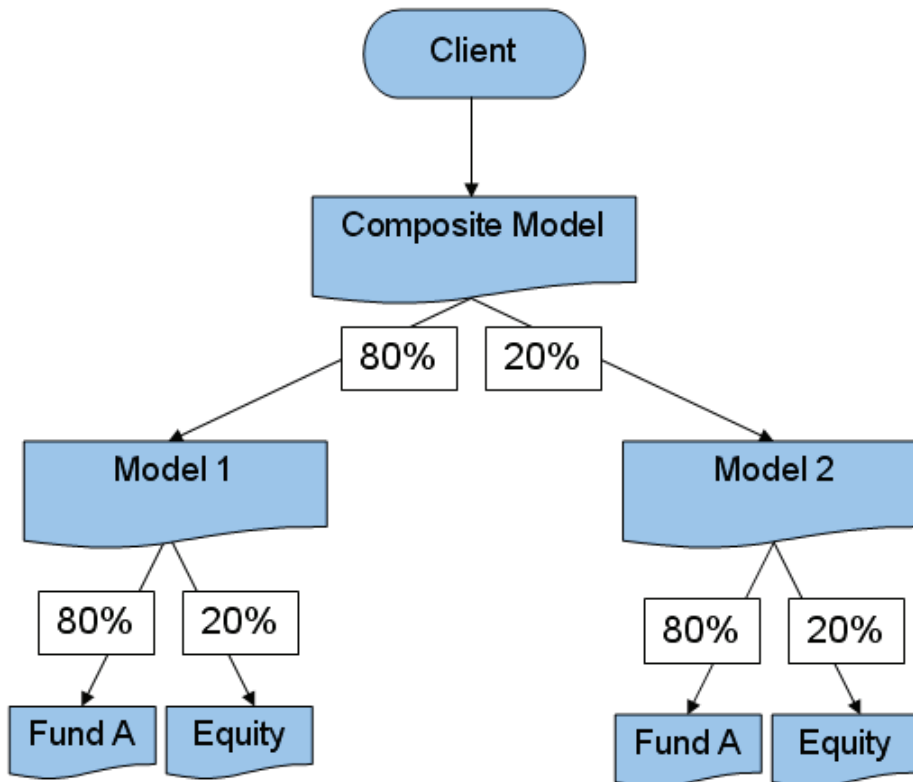
to the rebalancing software which helps create new trades, which are in turn uploaded to the custodian completing one round trip in an endless cycle.

TCA is different by combining all three functions under one roof. Most advisors find they no longer need to maintain their own PMS system as TCA's gives them not just portfolio positions, but the tax-lot accounting and performance calculations to which they're accustomed. If TCA sounds unusually technologically sophisticated, it's not by accident, as TCA likes to describe itself as a technology company that happens to be in the custodial business.

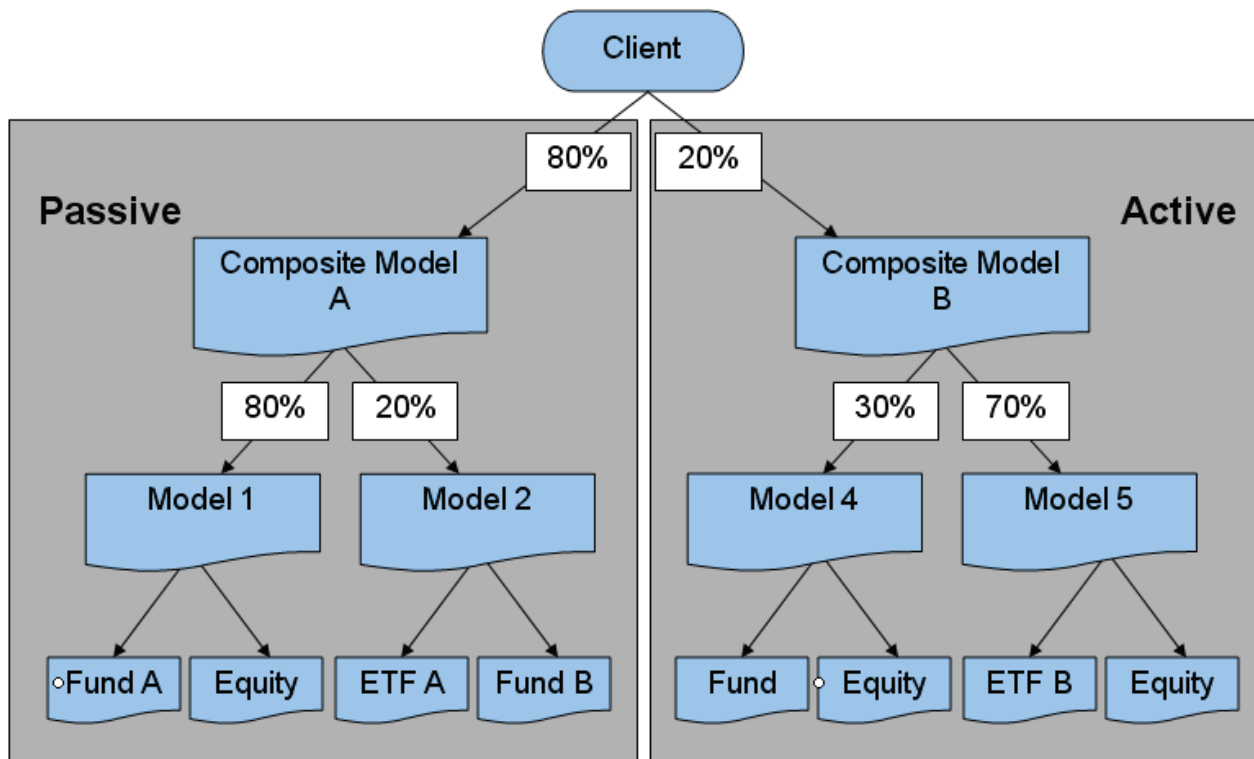
TCA's concept of modeling has evolved to a sophisticated level that should meet most advisors' needs. First, there are Standard Model portfolios consisting of groups of securities, each with an assigned allocation, that are designed to satisfy a defined objective. For example, Model 1 has an 80% allocation to Fund A and a 20% allocation to an equity fund.



Then, there are Composite Models, or “models containing other models” such that multiple models can be assigned to one account. So, for example, you can combine in one account more than one model — each model representing a different investment strategy. If a Standard Model represents a group of assets designed to meet a tactical objective, then a Composite Model is a group of these Standard Models such that, combined, they represent a distinct investment strategy. A Composite Model is then assigned to each client account as per the example below:



Or, let's say you use a Core & Satellite approach for each of your client accounts, whereby you have 80% of their portfolio in a Core, passive strategy and 20% in a Satellite, active strategy. You would create your Composite Core Strategy Model and your Composite Satellite Strategy Model. Maybe your Core model would, in turn, be composed of an 80% Long-Short Strategy Model and a 20% Large Cap Model. Perhaps your Satellite model is composed 30% of Gold and 70% International. And within each of the sub-allocation models within the Core and Satellite models, you're combining individual equity securities, ETFs, open-end mutual funds and closed-end funds. The diagram of this Composite Model might look something like this:



The benefits of Composite Modeling should be fairly obvious by now... you can quickly assign new clients to established models representing the various strategies that you employ for all clients; you can quickly change strategies, if desired, across multiple accounts; and using established models, you can greatly reduce data entry and other kinds of errors.

This all works pretty well as long as your clients all fit into one of (or a combination of) the Standard Models you've constructed. We all know, though, that external events can turn on a dime, demanding immediate tactical changes. Perhaps a sector in our sector-rotation strategy suddenly goes out of favor and needs replacing. Or, perhaps we have a rapidly-declining stock market that demands an abrupt and significant change in investment strategy affecting all client accounts? Is TCAdvisor responsive to these kinds of demands?

Yes. The system employs something it calls "Template-Based Tactics" that let you switch from one strategy to another with just a few clicks. Different tactics can be defined for different market conditions. Or, you can prepare multiple strategies, and then quickly implement one based on a market event.

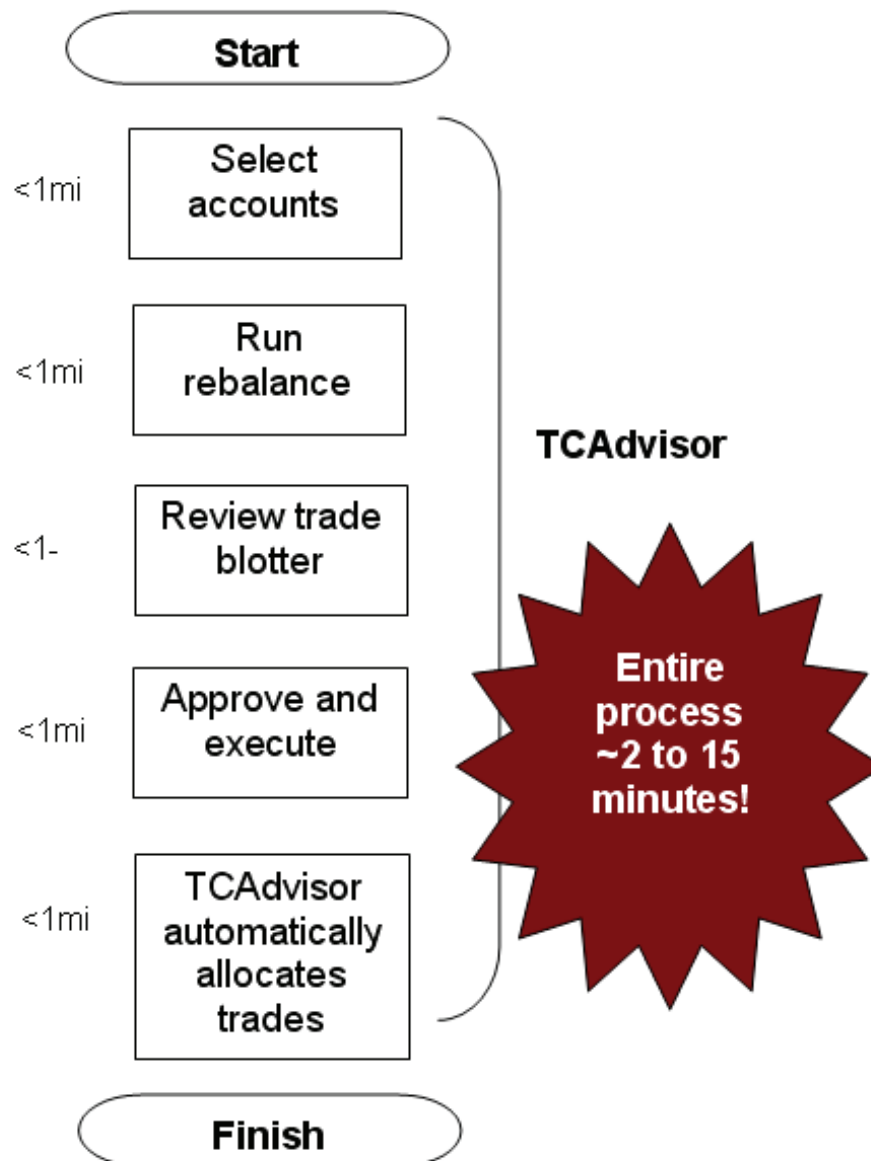
Now that we've discussed the various pieces of TCAdvisor, let's see how they all work together. Earlier in this article, we referred to a normal back office process in which information is shuttled between different, independent systems for portfolio accounting, rebalancing and trade execution. TCA is different in that it offers all of these functions in a single, online application platform. No longer are uploads, downloads or reconciliations required. Portfolio management, rebalancing, settlement tracking, billing, reporting, gain/loss calculations, performance calculations and trade execution are all done on one platform.

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As this illustration shows, TCAdvisor runs your models on the accounts you se-



lect, rebalances, creates trades and uploads them for execution in mere minutes. But what does the portfolio accounting system look like, you ask?

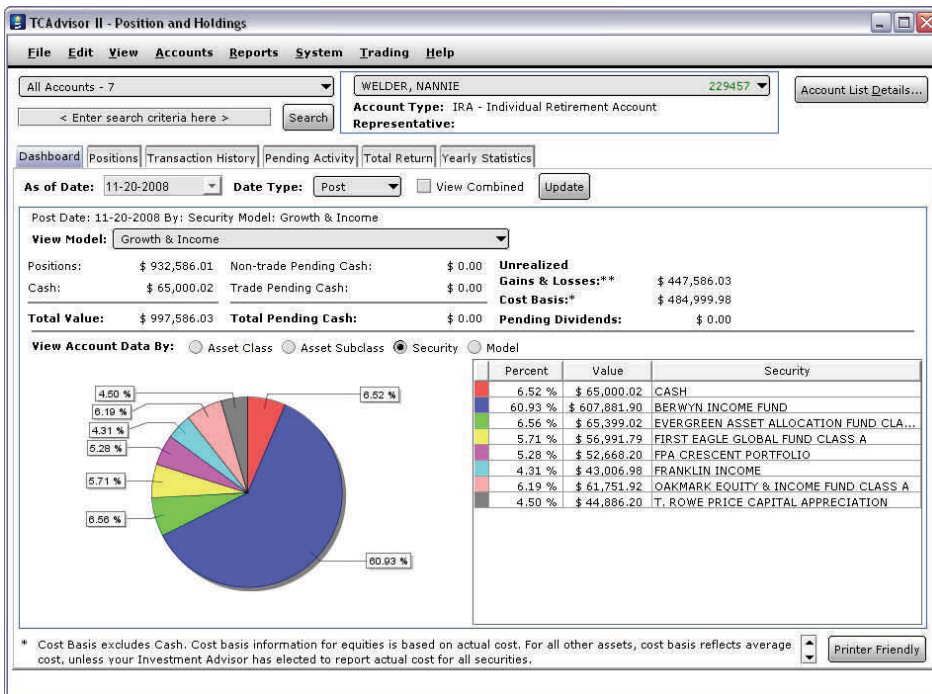
Although the demands of this article didn't leave us with the time to thoroughly test the portfolio accounting system, here are some screen shots to illustrate its capabilities.

Good software gives you a "Dashboard," or overview screen whereby you can see everything important at a glance. TCAdvisor is no exception:

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Drilling down, you get your Positions page:

Finally, the modeling capabilities that are TCAAdvisor's strength are managed within TCAAdvisor as shown here — applied to one, fictitious client:

TCAAdvisor II - Position and Holdings

File Edit View Accounts Reports System Trading Help

All Accounts - 7 WELDER, NANNIE 229457 Account List Details...

< Enter search criteria here > Search Account Type: IRA - Individual Retirement Account Representative:

Dashboard Positions Transaction History Pending Activity Total Return Yearly Statistics

Data as of: 11-20-2008 Date Type: Post View Combined Update

View Account Data By: Asset Class Asset Subclass Security All Models Security View: Summary Trade Lot

Security	Symbol	Quantity	Cost Basis*	Price**	Price Date	Market Value	Unrealized Gain/Loss
BERWYN INCOME FUND		5,708.9370	\$ 69,306.49	\$ 106.48	12-31-1998	\$ 607,881.90	\$ 538,575.41
CASH		130,000.1400	\$ 0.00	\$ 0.00		\$ 130,000.14	\$ 0.00
EVERGREEN ASSET ALLOCATION FUND CLASS...	EVRA X	5,141.4320	\$ 69,306.50	\$ 12.72	06-23-2005	\$ 65,399.02	\$(3,907.48)
FIRST EAGLE GLOBAL FUND CLASS A	SGEN X	1,810.9880	\$ 69,306.51	\$ 31.47	11-19-2008	\$ 56,991.79	\$(12,314.72)
FPA CRESCENT PORTFOLIO	FPAC X	2,960.5510	\$ 69,306.49	\$ 17.79	11-29-2002	\$ 52,668.20	\$(16,638.29)
FRANKLIN INCOME	FKIN X	27,926.6130	\$ 69,258.00	\$ 1.54	11-19-2008	\$ 43,006.98	\$(26,251.02)
OAKMARK EQUITY & INCOME FUND CLASS A	OAKB X	2,886.9530	\$ 69,258.00	\$ 21.39	11-19-2008	\$ 61,751.92	\$(7,506.08)
PRO FUND ULTRA SHORT OTC INVESTOR	USPI X	443.1980	\$ 8,535.99	\$ 22.70	11-19-2008	\$ 10,060.59	\$ 1,524.60
PRO FUNDS BULL SERVICE	BLPS X	1,286.1950	\$ 60,734.12	\$ 33.54	11-19-2008	\$ 43,138.98	\$(17,595.14)
PRO FUNDS ULTRA SMALL CAP SERVICE CLASS	UAPS X	517.9240	\$ 9,918.24	\$ 6.43	11-19-2008	\$ 3,330.25	\$(6,587.99)
PROFUNDS MIDCAP VALLIE FUND SERVICE CLA...	MLPS X	291.5220	\$ 9,748.49	\$ 21.99	11-19-2008	\$ 6,410.57	\$(3,337.92)
PROFUNDS MONEY MKT FUND SVC CLASS	MPSXX	107,706.3600	\$ 107,706.36	\$ 1.00	01-01-2001	\$ 107,706.36	\$ 0.00
PROFUNDS OTC FUND SERVICE CLASS	OTPS X	1,006.5700	\$ 54,999.97	\$ 36.22	11-19-2008	\$ 36,457.96	\$(18,541.01)
PROFUNDS SEMICONDUCTOR ULTRASECTOR F...	SMPS X	462.5380	\$ 7,590.24	\$ 4.49	11-19-2008	\$ 2,076.80	\$(5,513.44)

Total Market Value:	\$ 1,453,652.73
Cash:	\$ 130,000.14
Market Value excluding Cash:	\$ 1,323,652.59
Cost Basis:	\$ 969,999.86
Unrealized Gain/Loss:	\$ 353,652.73

* Cost Basis excludes Cash. Cost basis information for equities is based on actual cost. For all other assets, cost basis reflects average cost, unless your Investment Advisor has elected to report actual cost for all securities.

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TCAdvisor II - Accounts - Registration

File Edit View Accounts Reports System Trading Help

All Accounts - 7 WELDER, NANNIE 229457 Account List Details...

< Enter search criteria here > Search Account Type: IRA - Individual Retirement Account
Representative:

Account Models Representatives Interested Parties Beneficiaries Fees Distribution Contribution Forms Authorizations Dollar Cost Averaging Memos

Model Allocations

Minimum Cash Percentage: 3.00 % Minimum Cash Deviation: 0.00 %

Type	Model	Allocation 100.00 %	Deviation	Contribution 100.00 %	Distribution 100.00 %	Special Handling	Market Value
Non-Modeled	0 - Non-Modeled	0.00 %	0.00 %	0.00 %	0.00 %		\$ 0.00
Standard	1 - Growth & Income	50.00 %	0.00 %	50.00 %	50.00 %		\$ 1,005,557.20
Standard	2 - Small Cap	12.50 %	0.00 %	12.50 %	12.50 %		\$ 104,293.19
Standard	3 - Asset Allocation	12.50 %	0.00 %	12.50 %	12.50 %		\$ 115,618.31
Standard	4 - Sector Funds	12.50 %	0.00 %	12.50 %	12.50 %		\$ 121,533.15
Standard	5 - Technology	12.50 %	0.00 %	12.50 %	12.50 %		\$ 127,648.30

Edit Save Reset

Minimum Cash Percentage

As you can see, her accounts — in total — are allocated among five different models (50% Growth & Income, 12.5% Small Cap, and so on).

And, finally, drilling down further, we see the model detail:

TCAdvisor II - Models

Model: 1 - Growth & Income Abbreviation: G&I

Manage Model Trade View Pending Events Aggregate TWR

Processing Option
Allocation Method: Balance

Trade & Reporting Rules
NTF Model: No Exclude From TWR: No

Account Selection
Preselected: By: Clear
Selected On:
Account List

Model Summary
Current Cash: \$ 674,961.55 Cost Basis: \$ 2,425,000.03
Pending Cash: \$(262,906.09) Market Value: \$ 4,662,930.08
Total Potential Cash: \$ 412,055.46 Total Value: \$ 5,337,891.63

CASH
Current Shares: 514,824.8000 Cost Basis: \$ 514,824.80
Pending Shares: (262,906.0900) Market Value: \$ 514,824.80
Potential Shares: 53,887.6000 Potential Market Value: \$ 53,887.60
Pending Cash: \$(262,906.09) Last Price: \$ 0.00

My Securities
Filter: Lookup Security...
Viewing 0 of 1
Symbol Name

Model Details
Tactic: 1 - G&I Standard
Locked Market Value: Locked Goal %:

Lock	Security Symbol	Security Name	Goal Percent 100.00 %	Deviation	Current Percent	Potential Percent
<input type="checkbox"/>	CASH	CASH	5.00 %	0.00 %	9.94 %	6.12 %
<input type="checkbox"/>	BERWYN	BERWYN INCOME FUND	60.00 %	0.00 %	58.71 %	59.82 %
<input type="checkbox"/>	EVRAX	EVERGREEN ASSET ALLOCATI...	5.00 %	0.00 %	6.31 %	5.21 %
<input type="checkbox"/>	SGENX	FIRST EAGLE GLOBAL FUND C...	5.00 %	0.00 %	5.50 %	4.71 %
<input type="checkbox"/>	FPACK	FPA CRESCENT PORTFOLIO	5.00 %	0.00 %	5.08 %	5.14 %

Lock All Unlock All View Holders Set Goal to Current % Clear Goal % Import...

Get/View Accounts to Trade... Save as Tactic New Edit Save Reset Refresh Process Close Printer Friendly

If you run your portfolio operation using models — an efficient and sensible way to do it — TCAdvisor is definitely worth a serious look. And having portfolio accounting/reporting, rebalancing and trading under one roof isn't too bad, either.

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