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## Pershing Builds Customizable Unified Account

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The [Bank of New York Mellon's](#)<sup>1</sup> [Pershing](#)<sup>2</sup> division has added a new unified managed account program to its lineup that gives financial advisors greater customization options but also furthers an effort to create varied, interchangeable platforms for the company's independent broker-dealer and registered investment advisor (RIA) clients.

Advisors using the new AdvisorFlex program, run by Pershing's Lockwood turnkey asset management program affiliate, can mix and match more than 60 mutual funds or exchange-traded funds (ETFs) on a vetted platform. [Lockwood](#)<sup>3</sup> expects the advisors to start out with one of 16 pre-set allocation models – eight taxable and eight tax-deferred – and then tailor the portfolios for clients by selecting specific products.

The new program doesn't yet support separately managed accounts (SMAs), but should have them by year's end, says **Jim Seuffert**, CEO of Pershing Managed Account Solutions, the product platform for Pershing. A UMA – which is a consolidation of various investment vehicles into a single custodial account – typically includes SMAs as a prime component, along with mutual funds and ETFs.

The new program also plugs into a larger effort by Pershing to create an overarching infrastructure that broker-dealers and RIA clients can assemble for their advisors, allowing them to tap into a variety of platform types – from full UMAs to mutual fund wrap lineups. All of the options would use the same engine for maintenance, performance reporting, billing, and other client administration functions.

"We're widening the lane of possibilities for the client, but we still stand behind it as a fiduciary and investment advisor," Seuffert says.

Such a broader infrastructure taps into a desire by sponsors and RIAs to give their advisors a variety of platform options and levels of portfolio control, says **Chris Winn**, principal and cofounder of [MainStay Consulting Group](#)<sup>4</sup> in Boston.

"I think it's pretty much where the ball is going," Winn says. "Firms are going to need to be able to dial [advisor control] up and down in order to be competitive."

So far, interest in the new platform is high, Seuffert says. "The marketplace is very receptive to this product," he adds. "We have a waiting line for implementations."

The new UMA entails Lockwood partnering with [Standard & Poor's](#)<sup>5</sup> Investment Advisory Services to provide due diligence on the mutual fund and ETF products. That matches Lockwood's SMA knowledge with a similarly experienced research player on the funds side, Seuffert says.

Seuffert says the addition of SMAs is the next phase. He says the program will have about a dozen SMA strategies, with his team scouting "the whole universe of managers," including ones already on Lockwood platforms, as it finalizes the list. The program will use model portfolios, in which the sponsor handles account administration functions for each client, with managers simply handing over investment strategy instructions for the sponsor or its overlay manager to execute. In traditional SMAs, the managers handle many client account functions.

The new Lockwood UMA differs from other programs on the market in that it doesn't include an overlay function. UMAs typically have an overlay manager overseeing the investments and making moves to garner efficiencies through tax loss harvesting, automatic rebalancing, or other techniques. Instead, the new Lockwood UMA assumes the advisor making moves to customize the account will do the overlay work.

By not offering overlay services, the product ends up being cheaper, Seuffert says. The new UMA costs 40 basis points on the managed assets, compared to the 70 bp fee Lockwood charges for its existing UMA, which offers overlay but has strict pre-set allocation models. Another difference between the two Lockwood UMAs is that the newer, flexible option has a \$100,000 investment minimum, while the existing program has a \$250,000 minimum.

A spokesman says that Lockwood may yet add overlay functionality to the new UMA in the future.

It's not clear that a UMA without embedded overlay management will gain traction, because advisors consider such oversight to be a core benefit of the model, MainStay's Winn says.

But the broader effort by Pershing to create a broad infrastructure with various platform options is definitely desirable in the sponsor and RIA marketplace, Winn says. "I see a lot of firms going down this path because it plays into the retention of advisors," he says. "Firms are looking at constructing a foundation once and then applying all different types of investments – a single platform with multiple options."

Winn says the draw of such a model is that firms could "take away the sharp tools" for a new advisor by giving them a limited product set to use. But as advisors gain experience, the firm could free up the reins and allow them to venture into more active management of client portfolios. Such an infrastructure would also limit the need to change or repaper client accounts if an advisor switches platforms, and would make it easier to add on services such as trusts, estates, or insurance products.

Pershing has more than \$30 billion in client assets under management, including \$1.2 billion in existing UMA advisory platforms through Lockwood.

Other turnkey platform sponsors have rolled out UMAs with flexibility for advisors to select individual products, including [Brinker Capital](#)<sup>6</sup> of Berwyn, Pa., which has a program that includes overlay management support from [Natixis Global Associates](#)<sup>7</sup>. Winn says Brinker's move to outsource its overlay and Lockwood's decision to not offer it initially may offer insight on the time-to-market difficulties that turnkey firms face in creating broadly functional UMAs.

The [National Financial](#)<sup>8</sup> unit of [Fidelity Investments](#)<sup>9</sup> also rolled out a UMA last year that lets advisors manipulate the asset allocations in a client account, using an engine created by [Envestnet Asset Management](#)<sup>10</sup>, a Chicago-based turnkey firm.

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