Consolidated Reporting improves clients overall Asset Allocation Monitoring and Performance Reporting: Case Study

After more than 23 years as a Financial Advisor, one of the most common areas we are able to improve for a new client is their understanding of their current asset allocation as well as their ability to monitor the performance of their investments. In many cases, we meet with clients for the first time and request they bring their most current investment statements to our offices. The clients will typically have accounts held directly with 3-4 different mutual fund institutions, an account with a wire house investment firm, and or an annuity held with an insurance company. When we ask what their overall asset allocation is? Or what the performance has been on all their assets for the past 1, 3, or 5 years in aggregate? The potential client can't tell us. Not because they don't want to, but because the statements they receive are all from different vendors, reporting at different time periods, and with different percentages invested in each respective asset category (such as fixed income, domestic equity or foreign equity). It's nearly impossible that the client would be able to compute the performance of the accounts. The asset allocation calculation could be easier, but can still be cumbersome given that many funds invest in multiple asset classes.

In one such case, we were recently introduced to (Mary) and her husband (Roy), who had various investment accounts held with different investment firms. They also had a wide variety of investments contained in: IRA's, SEP IRA's, and Individually registered accounts. *In this instance, we showed that one of their accounts containing about $200,000, had achieved a 1% rate of return over a 10 year period.* The client was absolutely stunned when we pointed this out. The information was actually contained on the brokerage statement they were receiving but the client did not know where to look for it. They also did not know how to get a blended or weighted average or how their other investments were performing.

So how did we improve the situation for this client? First, by utilizing *Morningstar TM Portfolio Analytic*, we assessed Mary and Roy's risk level and current asset allocation. We used measurements such as (Beta and Standard Deviation) as well as (R Squared) to measure how closely their investments correlated to the one another and to the markets in general. For Mary and Roy, their investments had not changed, so the analytic was able to show the weighted rate of return on their entire portfolio. In many cases such as this, the clients never realize how much risk they have in their existing portfolio. Once Mary and Roy had transitioned their account over to our management, we have been able to continually monitor their risk and performance using *Albridge Reporting software*. This has enabled both the client and our staff to correctly monitor and alter their asset allocation when necessary. Additionally, with daily downloads, the software is able to calculate the returns from different Vendors and put all of the returns onto one page with an aggregate return calculated.

As a result, Mary and Roy have a much better understanding how each investment in their entire portfolio is performing as well as an understanding of their overall asset allocation. Since they understand what they are invested in, it's led to more confidence in their overall investment strategy. As a result, Mary has opened up a SEP IRA and regularly contributes to this account which is helping them achieve their retirement goal.

**note the above is a real case and client that we work with, though their names have been changed. Example is for illustrative purposes only. The results are not indicative of every situation and will vary.*

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