

Understanding Separately Managed Accounts

A Process for Investing Featuring Professional Money Management

What Is a Separately Managed Account?

A separately managed account (SMA) is an investment portfolio of stocks, bonds, cash and other individual securities, managed by a professional money manager, that can potentially be tailored to meet specific investment objectives — such as tax efficiency and the exclusion of certain securities from your portfolio. In a SMA you own individual securities and have the freedom and flexibility to tailor the portfolio to address your personal preferences — making your account “separate” and distinct from all others.

Managing your investment portfolio can become more challenging as your income and assets grow. While there are a number of ways to build a diversified portfolio — including individual stocks and bonds, mutual funds, and unit investment trusts — new potential investment opportunities become available to you as you accumulate more assets. Separately managed accounts (SMAs) may offer unique advantages compared with other investments because they provide a level of service and sophistication that is generally available only to large institutions and very wealthy investors.

The Separately Managed Accounts Difference

Separately managed accounts are typically offered within a consultative process that includes setting specific objectives, developing an investment plan, selecting investment managers, and monitoring your plan. SMA investors generally are attuned to the key SMA attributes of communications, visibility and access, which provide better insights into the investing process.

Some of the most attractive features provided in a separately managed account include:

Direct ownership of securities. You own the securities purchased for your account. Your money is not pooled with that of other investors as in a mutual fund. Direct ownership enables you to customize your account to address specific needs, including:

- **Managing tax consequences.** The cost basis for each security in your portfolio is established at the time of purchase, so you are not subject to gains earned by other shareholders as you might be in a mutual fund. This enables you to coordinate year-end tax management with your tax professional.*
- **Customizing your portfolio.** You may request that your investment manager exclude certain securities from your portfolio, such as companies in which you already have a large exposure or those that you would prefer not to invest in at all.

Ongoing due diligence. Investment managers, in programs such as Wells Fargo Advisors’ Diversified Managed Allocations (DMA) and Masters, typically undergo a thorough screening process, and are required to adhere to a specific investment style or objective. Once chosen for a separately managed account program, investment managers are reviewed on an ongoing basis and must meet and maintain defined standards.

**Our firm does not provide legal, tax or accounting advice. Please consult your tax advisor regarding your situation.*

Is a SMA Right for You?

Because separately managed accounts offer a higher level of service, investors are usually required to make a minimum investment of \$100,000, depending on the asset management company. Separately managed accounts may be more appropriate for investors who do not have the time, experience, or inclination to manage their own portfolios, and value the capabilities and experience that a professional investment manager and their financial professional have to offer.

Comprehensive quarterly reports. You will receive a detailed quarterly report that not only covers the progress of your investments, but also gives you insights into how that performance was achieved and how it relates to your specific goals.

A single asset-based fee. You pay one annual fee to cover investment management, transactions, ongoing expenses and the advice of your financial professional.

This does not apply to the Private Advisor Network program, where the manager's fee is separate from the financial professional's fee and is based on the manager's stated fee schedule on the contract.

Separately Managed Accounts Versus Mutual Funds

	Separately Managed Account	Mutual Fund
Ownership	Individual securities within the investment portfolio are owned by the investor.	Investor owns shares in a pool of securities. Assets are co-mingled with those of other investors.
Typical Minimum Investment	Masters & PAN†: \$100,000 DMA: \$150,000 Allocation Advisors: \$25,000 – \$50,000	\$500 – \$2,000 per fund
Funding	Portfolios may be funded with existing securities and/or cash.	Shares in funds are purchased with cash.
Tax Efficiency	The cost basis of each security is established at time of purchase. Potential for investor and his/her financial professional to manage taxation of gains and/or losses.	Cost basis may include embedded capital gains that predate the investor's purchase of shares. Tax management is under the sole control of the portfolio manager.
Portfolio Holdings	Investor can request the exclusion of specific holdings from the portfolio, e.g., securities in which he/she may already have a large exposure.	Holdings are under the sole control of the portfolio manager — no flexibility for the individual investor.
Level of Service	Tends to include a higher level of individualized service, consultation, and performance analysis.	Varies by financial professional and client.
Portability	Investor can generally transfer existing securities out of the portfolio.‡	Investor must liquidate shares of the fund for cash.
Fees	Annualized wrap fee based on assets under management (billed quarterly in advance).	Possible sales charges on purchase or redemption (load funds), in addition to ongoing management fees and operating expenses.

†Private Advisor Network (PAN) minimums subject to money managers' minimum account requirements

‡Due to investment manager restrictions, some securities may not have portability

Talk to Your Financial Professional

Your financial professional can help you decide whether the personalized, professional approach of a separately managed account is appropriate for you based on your current financial situation, investment objectives, time horizon, risk tolerance and other factors.

Advisory accounts are not designed for excessively traded or inactive accounts and may not be suitable for all investors. During periods of lower trading activity, fees may be lower if these programs were commission-based. Please carefully review the advisory disclosure document for a full description of our services, including fees and expenses.

Professional money management might not be suitable for all investors. Since no one investment program is suitable for all types of investors, this material is provided for informational purposes only. We need to review your investment objectives, risk tolerance, and liquidity needs before we can recommend suitable programs for you.

Investment and Insurance Products:

▶ NOT FDIC Insured ▶ NO Bank Guarantee ▶ MAY Lose Value

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