

5 Ways to Boost Your Practice by Leveraging Direct Index UMAs

Direct indexing can unveil compelling investment options for your clients to help deliver the potential benefits of a passive investment approach with the flexibility of portfolio customization. It can also provide tax efficiencies beyond what ETFs or mutual funds offer, including the ability to manage year-round tax-loss harvesting. Through our scalable UMA capabilities, Adhesion Wealth's Personal Indexes program takes direct indexing one step further by combining a highly personalized investment experience with the performance of direct indexing—and brings it down to smaller accounts and households.

- 1 Create Personalized Portfolios**
With Personal Indexes, you can tailor direct indexing solutions to client-specific screens for GICS sectors, ESG criteria, investment styles, and factor tilts such as momentum, volatility, or valuation.
- 2 Generate Tax Alpha**
Personal Indexes allows satellite managers in a core/satellite program to aggressively seek gains while using the larger direct index core to harvest tax losses. This dynamic combination of tax-aware account management with index-based investment goals is generally not available through ETFs or mutual funds.
- 3 Low-Cost, Easy-to-Manage Solutions**
When looking for an effective way to reduce overall costs to your clients, a low-cost direct index core module within a UMA solution can be considerably more affordable—and easier to monitor—than conventional single and dual-contract SMA programs.

Actual 4 Year Cumulative Tax Alpha With and Without Direct Indexing

For clients in Adhesion Wealth's Tax Harvesting Program

With Direct Indexing

3.95%

Without Direct Indexing

3.24%

Results for the four years ending 12/31/2019. Tax Alpha refers to the actual client tax savings based on Adhesion's tax harvest program using presumed short and long term gain rates. This analysis does not consider outside, non-managed taxable events in the results. This number is cited as a percentage of improvement where the liability reduction is compared to the client's portfolio valuation.

Only clients that were fully enrolled in the Tax Harvesting program for an entire calendar year are considered in these results. Clients that had no starting tax liability (where total losses generated are 'banked' for future tax years) were also excluded from these results.

Tax Alpha is calculated by taking the difference in total liability (taxes owed) for all portfolios managed prior to applying tax management and Tax Harvesting mandates, divided by the portfolio's ending market value. Actual Liability Reduction is calculated by taking the difference in total liability (taxes owed) for all portfolios managed prior to applying tax management and Tax Harvesting mandates, divided by the portfolio's actual post-management tax liability.

4 Absorb Legacy Holdings More Efficiently
For firms looking to recruit advisors or pull clients away from wirehouse firms, direct indexing can be used to absorb low basis holdings rather than liquidate and create a taxable event.

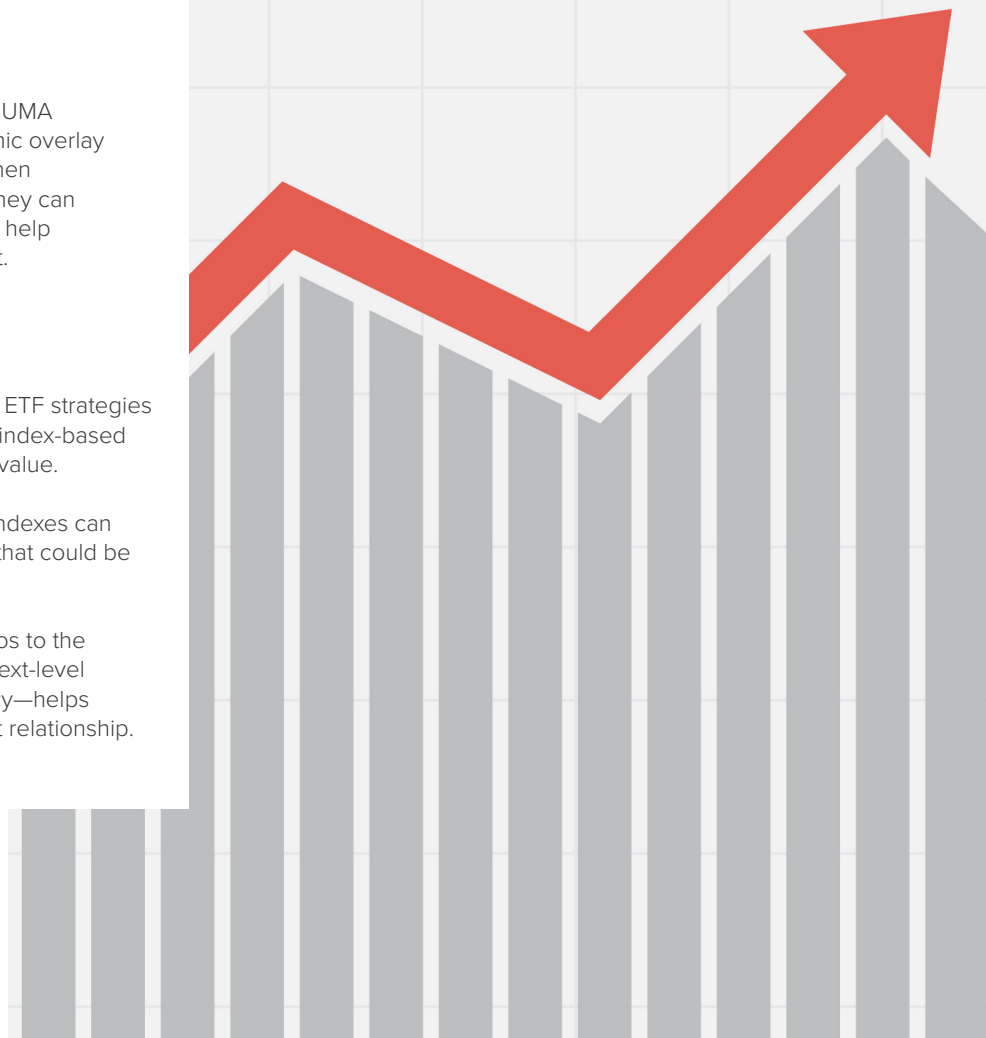
5 Reduce Trading & Turnover
By placing multiple managers into a single UMA account and layering on Adhesion's dynamic overlay management, securities can be sold and then absorbed into a direct index core. There, they can be journaled between manager sleeves to help reduce trading, commission and tax impact.

Other Potential Benefits

Differentiation: It's easy for competitors to clone ETF strategies or a single stock portfolio, but a tax-advantaged index-based UMA is highly differentiated and proof of added value.

Defensibility: Direct indexing through Personal Indexes can help to overcome the active/passive objections that could be voiced by clients.

Trust-Building: The ability to personalize portfolios to the specific needs of your clients—while providing next-level diversification, tax management and transparency—helps generate trust and strengthens the advisor/client relationship.



Questions?

To learn more about how Adhesion Wealth can help you boost your practice in the most efficient ways possible, visit www.adhesionwealth.com

To schedule a demo, send an e-mail to sales@adhesionwealth.com or call **888-295-8351**.

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