

Background

The advisor sought Adhesion's help for an ultra-high-net-worth (UHNW) household that faced over \$5 million in embedded gains in their portfolio. Historically, the advisor favored active management for most of his business but wanted to lower his client's overall fees and shift towards a more passive investment strategy. Over time, the advisor's frustration grew as he observed his managers periodically falling in and out of favor, leading him to seek more consistent, index-like performance for his clients.

Winning Solution

Adhesion introduced the advisor to two Personalized Index products designed to incorporate a large portion of the existing equity and ETF holdings with embedded capital gains. These products provided more consistent tracking errors relative to the advisor's preferred indices (Russell 3000 and MSCI EAFE). Over time, the Personalized Index from Adhesion attracted over \$20 million from various accounts, supporting the advisor's objective to transition away from legacy assets burdened with high embedded capital gains. This transition also focused on reducing the portfolio's tracking error. Moreover, the advisor achieved a significant reduction in management fees by opting for a Personalized Index portfolio over selecting active managers.

Key Takeaways

Cost Effective

The advisor leveraged Direct Indexing to offer clients benefits such as lower costs, effective tax management, reduced active investment risk, and guidance toward achieving life goals.

Flexibility

Adhesion's Personal Index solution offered the flexibility to manage complex scenarios for clients, addressing tax concerns, values, and competitive management fees.

Effective Resolutions

Integrating legacy holdings into the index effectively resolved significant tax-related issues for end clients.

Important Information

This is for informational purposes only, is not a solicitation, and should not be considered investment, legal or tax advice. The information has been drawn from sources believed to be reliable, but its accuracy is not guaranteed and is subject to change.

Investing involves risk, including the possible loss of principal. Past performance does not guarantee future results. UMAs are not suitable for all investors and should be evaluated for suitability by financial professionals prior to investing.

For more complete information about the various investment solutions available, including the investment objectives, risks, and fees, please refer to the Disclosure Brochure. Please read it carefully before investing. For a copy, please contact Adhesion.

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