The Benefits of a Managed Account

There have never been more choices in the financial services arena. With literally thousands of mutual fund providers, it sometimes seems that there are just as many different ways to pay for services. If you are tired of trying to understand commission structures, contingent deferred sales charges, rights of accumulation, and the ever-increasing multitude of share classes, perhaps you should consider a managed account.

When you utilize a managed account, you pay your financial advisor a management fee based on a percentage of the assets you invest. From a cost standpoint, the greatest advantage to this strategy is simplicity; you pay as you go. But there are many other advantages to managed accounts, including:

- You sit on the same side of the investment table as your advisor: "I prosper as you prosper; I suffer when you suffer."
- You do not need to make an upfront load commitment in order to do business with the advisor. Some investors prefer the pay-as-you-go approach.
- You can terminate your relationship at any time without paying closeout fee-based surrender charges.
- You can purchase no-load, load-waived A share, and NAV funds.
- You have virtually unlimited product options, including over 5,000 mutual funds.
- You have the ability to rebalance your portfolio across different fund families.
- You can give your advisor discretion without any concern for churning or exposure to continuous commissions.
- You can transfer existing positions into a fee-based account.
- You have the ability to harvest tax losses and stay in the market by purchasing exchange-traded funds to wait out the Wash Sale Rule.
- You will receive enhanced quarterly investment progress reports and can potentially meet more frequently with your advisor to review your portfolio and your financial needs and goals.

Managed accounts, like all investments are subject to risk. A managed account can fail to meet its investment objective. Aggressively managed accounts, accounts that concentrate on more volatile investments—such as small-company stocks—and accounts whose managers' investment styles are suffering in the current market are likely to fall more sharply in value under certain market conditions than conservatively managed accounts. But they also have the potential to gain more in rising markets.

Fee-based programs may not fit the needs of certain investors. Investors with low trading activity may be better off with a commission-based program. These accounts might include those comprised mainly of bonds or mutual funds, but also could contain individual equities where the customer has a stated buy-and-hold strategy.

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