Personalized Portfolios Made Simple

Holistic management of your clients' entire portfolios

Option to use your own asset allocation and product choice – or subscribe to third-party models

Direct indexes as easy to work with as ETFs

Exceptional customization and optimized tax management for every account

Real-time tax-optimized transition plans

What We Do

Smartleaf Asset Management, LLC (SAM) provides a sub-advisory service for the management of highly customized, tax optimized portfolios, including direct indexes and portfolios with direct index cores. We do this so that you can:

- provide every client, of every size, the highest levels of customization and tax management.
- work with direct indexes as easily as working with ETFs.
- document for each client their taxes saved or deferred, demonstrating your value.
- spend zero time reviewing, rebalancing and trading portfolios.

Key Features

- **Unlimited customization requests:** Custom asset allocations — Custom product selection — Security constraints — Environmental, social and governance (ESG) constraints — Religious values constraints
- **Optimized tax management:** Tax loss harvesting — Tax sensitive transition — Wash sales — Short-term gains avoidance — Long-term risk appropriate gain deferral — Tax budgets — Optimal tax lot selection — Documentation for each client of the taxes you save or defer through active tax management
- **Super simple direct indexes:** Direct indexes as easy to manage as ETFs: Select from a pull down list — Personalize — Add tax rates and transition — Automated Asset Allocation and Cash Management
- **Model Distribution Service:** Asset allocation model updates — Security model updates — Alternate product choices — Access to third-party models — Access to third-party asset allocation models
- **Advanced cash management:** Min cash — Max cash — Regularly scheduled withdrawals — Overdraft prevention — Reserve cash — "Accumulate cash"

How We Are Different

The Advisor Customization Portal

Smartleaf Asset Management provides investor-facing advisors with a dedicated portal for setting up accounts, entering customization and tax management preferences, and notifying the trading group that the client wants to withdraw cash. As the advisor sets up the portfolio, the portal gives them and their clients real-time feedback on the tax and risk implications of their customization choices, helping clients make informed decisions. For example, if you add a social screen, the portal will tell you how much of the current portfolio would be liquidated and the tax consequences. And, for new accounts, the portal will, in real time, show you proposed first trades and provide you with a hypothetical projection of a multi-year tax-optimized transition plan.
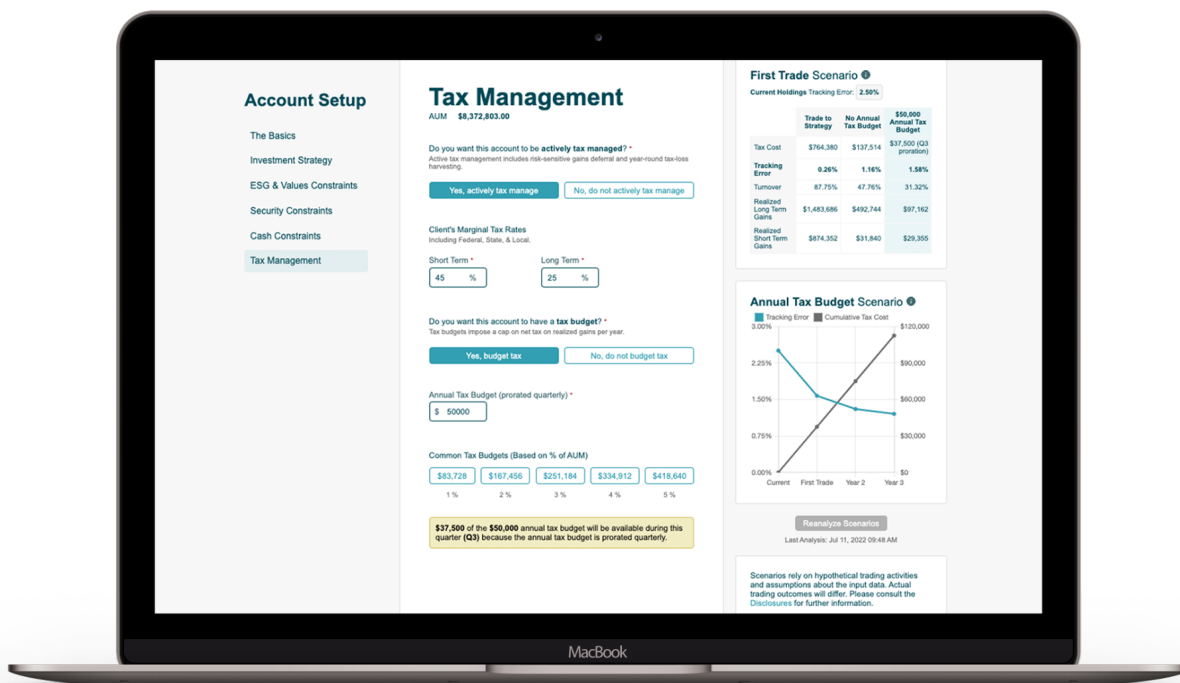
Menu-driven customization

With SAM, customization and tax-management options are simply choices on pull-down menus, and implementation is automated.

For many advisors, customizing a portfolio requires making ad hoc trade decisions for each account, adding time and complexity to the rebalancing workflow. But with SAMs menu-driven customization, optimized tax management and meeting the unique investment goals and values of every client become easy. Once you enter your choices, implementing and maintaining them takes no extra time or effort.

Direct Indexes as Easy as ETFs

Smartleaf Asset Management makes direct indexes – where investors directly own a basket of stocks to track the performance of an index – easy. Really easy. As easy to work with as an ETF. For the investor-facing advisor, replacing an ETF with a direct-index is simply a choice on a pull-down menu. There is no separate SMA account opening or closing process; no separate communication channel; no extra steps to implement cash-in or cash-out requests; no extra steps to avoid wash sales. No extra steps at all. Just a choice on a pull-down menu.

The tax and customization choices that make direct indexing attractive are also simple menu choices. Tax budgets? Year round tax loss harvesting – all just menu choices. Implementation of all customization and tax management preferences is automated.

By making direct indexes as easy as ETFs, SAM makes direct indexing available to all your clients, regardless of account size.

Documenting Value to Clients: The Taxes Saved or Deferred Report

Smartleaf Asset Management's account-level Estimated Taxes Saved or Deferred Report enables advisors to document for each account the value they are adding through active tax management. In 2021 our parent company Smartleaf Inc.'s users saved their clients an average of 3.20% of the value of assets that were actively tax-managed. This is more than most advisors charge in fees. View a sample copy here.

Whole-portfolio Management, "True UMA"

We manage the entire portfolio — every asset class and any combination of mutual funds, ETFs, individual equities and ADRs — holistically in a single account to achieve the optimum balance between tax and risk.

In contrast, many sub-advisors manage portfolios in isolated sleeves or sub-accounts. This creates complexity. It requires a separate asset-class level rebalancing workflow and a separate cash management workflow. And it interferes with portfolio-level management of washed sales, tax and risk. For example, suppose that you have an overweighted IBM position you can't or don't want to sell. If you're overweighted in IBM, you have to be underweighted in something else. To minimize drift, your best option is to underweight something similar, such as HP. That's when SAM is holistically managing the whole portfolio, but not so easy when the IBM and HP holdings are in different sleeves – possibly at different sub-advisors. The term "Unified Managed Accounts (UMA)" was developed to describe an enhanced sleeved system with consolidated reporting and some cross-sleeve coordination. SAM goes beyond UMA to "true UMA". We manage the whole portfolio. And we don't merely do a better job of integrating sleeves; we dispense with sleeves entirely.

"Target Templates"

"Target Templates" are patented asset allocation models that support scalable, compliant account-level customization of asset allocation weights and product choices. In every asset class, you can offer investors multiple options – ETFs, actively-managed mutual funds, direct indexes, actively managed equities – with no increase in operational complexity. The same is true of custom asset allocation, such as removing real estate as an asset class for clients with outside real estate investments.

SAM can do this because a custom asset allocation is simply one customization instruction among many. So is a custom product choice. And these customization preferences get implemented automatically, just like security constraints and tax preferences.

In contrast, with other sub-advisors, custom product mixes or custom asset allocations are either simply not supported or can only be implemented by creating new, standalone models. This approach makes it difficult to implement tactical asset allocation shifts or updated product choices – it requires manually updating each custom model one at a time. With SAM, no extra steps are required. You tell SAM to implement changes, and these changes cascade down automatically to every account – in a way that preserves each account's custom asset allocation or custom product choices. In this way, top level investment policy decisions – say, a tactical asset allocation shift – takes one day to implement across the book of business, rather than weeks or months.

Using SAM

SAM's platform integrates the activities of three groups: the client-facing advisor, the Investment Policy Committee, and SAM Sub-Advisory. By dividing responsibility, each group can focus on what it does best.

The Client-facing Advisor

Working through the SAM Advisor Portal, client-facing advisors create customized solutions for each client. They also enter cash-withdrawal requests, check on account status, and obtain reports.

The advisor's core function is designing a customized solution for each client. Customization options and settings include:

- Asset allocation selection (example: "for the Smith account, use the XYZ taxable aggressive growth asset allocation")
- Asset allocation customization (example: "track the firm's aggressive growth allocation but remove real estate, because the client has outside holdings in real estate")
- Product choice customization (example: "use a direct index for US Large Cap, an ETF index fund for US Mid Cap, and an actively managed mutual fund for US Small Cap")
- ESG and social value screens (example: "apply a Catholic Values screen, and no companies with a poor Environmental/Spills record")
- Security constraints (example: "don't buy IBM")
- Cash management settings (example: reserve cash from dividends and interest up to $15,000 to support $5,000/mo withdrawals")

The Advisor Portal is interactive, enabling the advisor to share with clients the impact each customization choice would have on their portfolio, thereby helping them make more informed customization decisions. Advisors also have access to reports, such as the Taxes Saved or Deferred Report that documents, for each account, the amount of taxes the client has saved or deferred through active tax management.

Advisors are free to spend 100% of their time with clients and prospects. They spend no time on daily portfolio review, rebalancing or trading portfolios.

The Investment Policy Committee

Investment Policy Committees (IPCs) construct (or select from third parties) the firm's investment solutions: asset allocation models, product selection for each asset class, compliant boundaries on permitted customization, and more. They also design the firm's daily portfolio review and rebalancing workflow. Specifically, the IPC:

- Creates (or selects from third parties) "Target Templates" —flexible asset allocation models that support compliant, scalable product choice and asset allocation customization
- Creates (or selects from third parties) security models, e.g. a 50-stock US Large cap model
- Develops a standardized workflow for daily review, rebalancing and trading

The IPC is free to strictly focus on developing the best investment thinking of the firm, without having to worry about the tax implications or implementation costs of their decisions. These considerations take place downstream. Tax optimization and customization preferences are implemented automatically. The IPC spends no time designing customized solutions for each client, or in daily portfolio review, rebalancing and trading.

SAM Sub-Advisory

SAM assumes responsibility for rebalancing and trading. We review every portfolio every day. Our job is to ensure that every portfolio is faithful to the joint and evolving instructions of your client-facing advisor and your IPC.