

# A Different Kind Of Custodian

Trust Company of America has a novel service platform.

> By Joel Bruckenstein

**T**rust Company of America (TCA) wants to be your custodian. Why would an advisory firm seek out TCA, as opposed to one of the more established players? There are a number of reasons, including the TCA pricing model, proprietary tools and unique capabilities.

TCA works exclusively under an asset-based pricing model. Advisors fill out a proprietary 12-page questionnaire, and TCA delivers an asset-based pricing fee tailored to the advisor's business model, which generally starts at between 20 and 35 basis point, with volume discounts. This fee includes everything, except fixed trading for individual equities and ETFs. It includes custody, record keeping and administration. It includes the excellent TCAdvisor II platform, described below. In addition, TCA provides private-labeled quarterly or monthly statements mailed to clients. These statements can include single account or household (or group) reports. They can include time-weighted return performance reporting as well as detailed fee reporting.

TCAdvisor II is a world class, Web-based portfolio management and trading platform. It provides a wealth of information about clients and their portfolios. The initial view is the "dashboard" tab, with multiple drop down lists for filtering information. For example, one list is for groups of accounts. You could create a group for all taxable accounts, a household or all of an individual's accounts. Another drop-down list allows you to select the specific account from the group.

Account holdings can be displayed at the asset class, subasset class, security or model level. By default, current information is displayed, but advisors can view historical data by selecting a date.

At the positions tab, advisors view security name, symbol, cost basis, price, date of last pricing, market value and unrealized gain/loss. You can view data by asset class, subasset class, security or models. The default view shows a summary of holdings, but a button allows you to toggle to the trade lot view. The next tab provides a transaction history for a date range. This is followed by a pending activity tab. The total return presents a time-weighted total return

graph and table. This is followed by a yearly statistics tab.

The ability to create an unlimited number of models, and then create portfolios from those models, is one of the powerful features of the TCA platform because it allows you to leverage technology in the portfolio management process. In its simplest form, an advisor could create three model portfolios—aggressive, moderate and conservative—each consisting of one or more investment components, most likely ETFs or mutual funds. All client funds would be invested in one of the three models, which would be rebalanced periodically based on parameters determined by the advisor.

A slightly more sophisticated approach might be to create subasset class models called large-cap growth, large-cap value, small-cap growth, small-cap value and international. Each of these models could consist of multiple mutual funds, ETFs or individual securities. These "style" models could then be blended to create the master models—an ability that allows the advisor to manage large numbers of accounts employing "customized" strategies very efficiently.

TCA offers omnibus trading at the firm level. You can trade across individual accounts, groups of accounts or all accounts. They offer a no-transaction-fee mutual fund platform. The system offers semiautomatic rebalancing at desired intervals. Advisors can also program in a number of rebalancing parameters. When a rebalancing alert is triggered, the advisor pushes a "process models" button, and the platform suggests trades based on the parameters the advisor supplied. Upon review, if the advisor approves all trades, they can be processed at the touch of a button. If not, the trade list can be edited and then processed.

Online account registration is built into the system. Many forms can be prepopulated and printed to either paper or PDF. Advisors can update client information online, including address, mailing name, e-mail, phone numbers and advisor fee schedules. For regulatory or other reasons some information, including account name, tax ID number and beneficiary designations, can't be changed.

Reporting is another technological strength. TCA's platform includes its own proprietary performance-reporting engine. Information can be downloaded and exported to



> **A Look At TCA** <

**Pros**

- **Technology.** Their ability to bundle trading, portfolio management, performance reporting, administration and billing in one Web-based package is attractive, as is their ability to act as a service bureau, mailing client statements, invoices and performing the fee collections.
- **Portfolio Modeling.** TCAdvisor II offers sophisticated modeling abilities, a real plus for those who use model portfolios or variations of them, which can be used to create investment strategies for clients.
- **Institutional Focus.** The firm is strictly institutional, so it does not compete directly with advisors. TCA will customize and privately brand to the advisor's specifications. In particular, advisors may offer a private-labeled, Web-based portal to their clients that includes real time position/holding data, tax reporting, historical statements, historical tax forms, performance information and much more.

**Cons**

- **Dependency.** Because of its services, advisors may become very dependent on TCA. I would want to know how problems would be resolved and would want an exit strategy written into my contract, including a provision that exit or account closing fees couldn't be imposed on my firm or clients.
- **Rebalancing Tools.** Tax sensitivity, which is needed for taxable accounts, is not built into their recommendations.
- **Limited Flexibility.** To get the full benefit from this platform, an advisor must custody virtually all client assets here. This may be impossible, especially if a client's wealth is tied up in a vehicle, such as a corporate 401(k), that can't be held at TCA.
- **Pricing.** Some advisors may not be comfortable with an asset-based pricing model for custodial and related services.



third-party portfolio management systems, but not using TCAs reporting engine removes one major reason for doing business with the firm. TCA data can also be exported to CRM software and other third-party applications.

Advisors can create custom asset classes and subasset classes and can compare a security holding in an account to a predetermined weighting. Advisors can view historical information since inception. For IRA accounts, the platform automatically displays required minimum distributions for the year as well as the amount still required to be distributed before year-end. There is a large library of reports, including performance reports and account summaries, which can be scheduled to run automatically at intervals. Advisors can include nontraditional and nonmanaged assets in the reports.

TCA also provides a limited number of reports to advisors on CD, either monthly or quarterly per the advisor's needs. These include a performance review report, a statement report, a portfolio value report, a portfolio allocation report and a

detailed, time-weighted return report (by asset class).

TCA provides total fee management. They can calculate, assess and collect fees. Virtually any type of fee schedule can be supported. Fee invoices can be included with client statements or mailed individually. Fee schedule information can be viewed online.

Advisors who recommend that their clients hold non-public REITs, limited partnerships and/or private equity in an IRA will find TCA a capable custodian for these nontraditional assets. Through an affiliated company that auctions nontraditional assets, TCA may be able to help provide liquidity to clients who need it.

TCA offers transfer agent, registrar and administrative services to direct participation programs such as limited partnerships, real estate investment trusts and privately held securities. These services could be of interest to advisors who create pooled products for clients, or those who would like to.

In addition, TCA can provide a full 401(k) platform for advisors, which leverages all of the TCAdvisor II modeling, trading and portfolio management capabilities.

**In Summary**

I have no way of gauging their service, but technologically speaking, the TCA platform looks good. It appears to offer a total online trading, back-office, service bureau and portfolio management/reporting platform in one neat package. An advisory firm can choose to spend its time managing portfolios (or it can outsource this too) and meeting with clients. TCA can do just about everything else.

The modeling and trading capabilities make it particularly attractive for advisors who create models and managed strategies for clients. It is also very appealing for those who want to rapidly build an investment advisory business with minimal up-front technology expenditures.

On the other hand, to get the full benefit of a relationship with TCA, advisors must put all of their eggs in the TCA basket. They have to custody all of their client's assets with TCA, and they have to rely on TCA to provide excellent service across the board. For most independent advisors I know, making a leap of faith of this magnitude is difficult. Only time will tell if TCA can win over a meaningful number of advisors to their platform. ☺

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