



5 RIA MYTHS ABOUT MODEL- BASED TRADING



In our conversations with RIAs, we've noticed some widespread misconceptions about trading with models (or strategies) — and we'd like to take the time to dispel them. When done correctly, model-based trading can be an incredibly powerful tool for any RIA, so don't fall victim to these myths.

1 Models are for tactical traders. I don't trade very often so I don't need them.

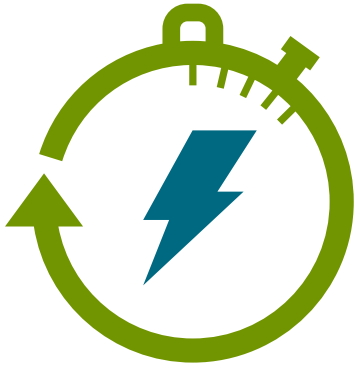
2 My business is not big enough to need models. I'm fine with manual trading.

3 Models don't work if my clients have exception accounts or legacy positions.

4 Models are cookie-cutter and only for smaller accounts that all get the same thing — not for high value accounts.

5 I can't easily change models or make exceptions to them.

1 Models are for active traders. I don't trade very often so I don't need them.



Models are just as important for tactical traders as they are for those who practice a strategic asset allocation philosophy.

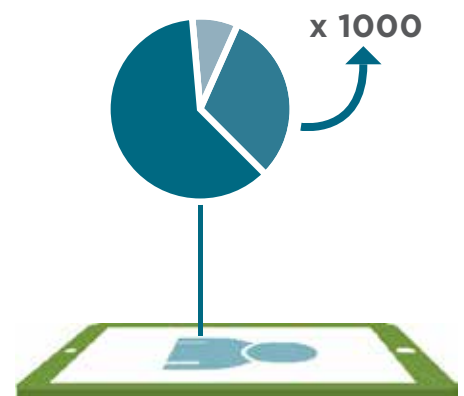
You might be trading your accounts more often than you realize. You'll have to rebalance your portfolio at some point, and it'll be much faster if you're using models. It also simplifies many tasks you might be doing manually, such as matching accounts to risk tolerance (models help you do this systematically). As clients add money to accounts or take distributions, model-based trading makes those tasks easier.

Regardless of how often you trade, you still want to give all your clients fair allocations and your best thinking, don't you? If you're making trades and allocating them out to accounts manually, you might be opening yourself up to a compliance failure. Model-based trading platforms allocate trades out to accounts automatically, eliminating compliance issues. They also allow you to roll trades up into one larger trade and lessen the trading costs — which means there's no reason to avoid trading small accounts because of the possible fees they'd incur.

2 My business is not big enough to need models. I'm fine with manual trading.

Sure, if you're managing 100 different accounts, it may seem pointless to use models. But what about tomorrow? As an RIA, you're probably always working on growing your client base, but this means you need to be ready to grow from a technology perspective.

This also comes back to your fiduciary responsibility. How do you decide which of the 100 accounts get traded first in a changing market, and how will you justify that answer to your clients and the SEC in the event of an audit? Regardless of how many accounts you manage, you still want to provide your best service to each one of them. The right technology platform can help you accomplish that without too much additional effort and in a compliance-friendly manner.





3

Models don't work if my clients have exception accounts or legacy positions.

The right technology will give you the flexibility you need when it comes to exception or legacy positions. With Trust Company of America, for example, you can take legacy assets and put them into a “null model,” which is a model that gets excluded from trades. This also allows you to provide performance reports that show non-traded assets separately from the assets you're actively managing. On top of that, you also have the flexibility to have a different fee schedule on non-traded assets.

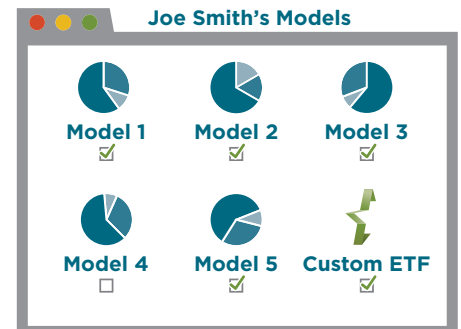
EXCEPTIONS



4

Models are cookie-cutter and only for smaller accounts that all get the same thing — not for high value accounts.

If you use a technology platform that allows you to create multiple models in a single account, there's also no limit to how customized you can make each account. (And you also don't have to bother high net-worth clients with additional paperwork to create new accounts.) For example, for Joe Smith, you can use Models 1 through 5 that you've already created, plus a new ETF model just for Joe — and then exclude certain legacy positions from trading. On top of that, you can get as granular as you want with fees at the model level.



OR



5

I can't easily change models or make exceptions to them.

It's actually harder to make changes in a spreadsheet and implement changes account by account — than to make changes to a model. If you have a brilliant idea about ETFs you want to try out, for example, models allow you to easily feather in small changes and test out your idea.

HOW TRUST COMPANY OF AMERICA CAN HELP

Studies show that the most successful RIAs spend a majority of their time on client-facing work. If you're spending too much time on trading and rebalancing, are you leaving enough time to meet your clients' needs? Or could you do more to wow them if we gave you back your time?

With Trust Company of America (TCA), there's no need to purchase any additional software to take advantage of all the benefits of model-based trading. All the capabilities are built directly into our RIA technology platform, Liberty.

Liberty drastically simplifies how you manage assets by letting you run as many investment models as you'd like in any single account. Liberty can also rebalance your entire book of business in just minutes. And as soon as your trades are executed, Liberty automatically reconciles them back to each client account — which is not only more efficient, but also better for compliance and auditing. You can get as granular as you want with which accounts, positions or models you want to trade, as well as how you want to charge your clients.

Isn't it time your technology helped you provide your clients with your best, most current ideas?

Find out more at trustamerica.com/ModelMyths
or call us at **1-800-955-7808**.



About Trust Company of America

Trust Company of America (TCA) is the only independent RIA custodian offering fully integrated real-time technology, consultative services and back office support exclusively to RIAs. Since 1972, TCA has been a dedicated champion of RIAs, committed to personally helping them optimize their portfolios, streamline their business processes and achieve their full potential — all without competing for their clients. Visit trustamerica.com to learn more.

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