

CASE STUDY

iRebal®

Grow your business with efficient portfolio rebalancing

Company Profile

McLean Asset Management Corporation

A fee-only wealth management firm approaching \$380 million in assets under management

Need: Improve overall productivity in the trading area and implement more efficient processes

Solution: Implemented iRebal to automate much of the trade order management activity

Results: Uncovered 25 hours per week, which was previously dedicated to trade order management and management training, that is now freed up to spend on business development and client-facing activities

Individual firm results can vary, and using iRebal does not guarantee future success.

Save time, manage costs and grow your business

One of the most time-consuming and potentially error-prone activities undertaken by independent Registered Investment Advisors (RIAs) is rebalancing client portfolios. While the frequency of rebalancing varies across firms, in many cases it is a manual process. With unique circumstances to be considered across each client portfolio, it can take an enormous amount of time to complete.

A need to improve productivity

Whether your practice is large or small, you are always looking at the costs of doing business and ways to increase your efficiency. McLean Asset Management Corporation (McLean) is no exception. They recently undertook an initiative to look at all facets of their operations and determine how they could better leverage their existing staff. It was determined that one important aspect of their business that needed closer evaluation was their trading area. "Prior to 2008, our trading was all done manually and a rebalancing report was generated from our portfolio management system," said Bryan Lee, Managing Director at McLean. "So we started to look at how much time was being spent, the costs involved, and the impact on productivity. There were days when traders would literally come in at 8:30 a.m. and wouldn't get the last trade done until around 2:00 p.m. On a really bad day it might be 3:59 p.m."

McLean felt if they could free up time spent trading and put it to use doing more business development and client-facing activities, they would have a much better chance of meeting their long-term objectives. To accomplish this, they turned to iRebal®, an affiliate of TD AMERITRADE, to help automate their trading process.

"When I look at the activity pre-iRebal versus now, it has improved by orders of magnitude."

Bryan Lee
Managing Director, McLean Asset Management

Introducing the Intelligent Rebalancer

Bryan and his business partner discovered iRebal, known as the "Intelligent Rebalancer," at a TD AMERITRADE Institutional conference in 2008. "iRebal seemed more robust than competitor products," said Bryan, "and was simpler in terms of the way it was hitting servers and generating trade tickets. It just seemed to make sense for our IT structure." They implemented iRebal in 2008.

iRebal Features

iRebal is a highly customizable rule-based application that automatically generates trade tickets for multiple account rebalancing, cash management and tax loss harvesting. Rebalancing can be done across any number of accounts in a family or group, at both the security and fund level, and at the individual lot level. In addition, it:

- Can include multiple taxable and tax-deferred accounts, including 401(k) and annuity accounts that have a restricted set of asset classes to choose from.
- Considers individual tax rates, carryforward losses, business gains/losses and a client's tolerance for realizing gains.
- Enables dollar cost averaging of cash investments.
- Provides detailed reports on client data and trade history.
- Shows pre- and post-positions at the asset class, sub-class and security level—all on one screen.
- Provides real-time integration with existing portfolio management systems.

Improved trading and cash management

With the implementation of iRebal, McLean was able to centralize their trading activity and institute a company mandate that all daily trading must be completed, uploaded and submitted by noon. Bryan notes, "We basically save half a day and have been able to reallocate resources to more productive uses." Taking advantage of the software's automatic trade ticket generation capabilities has significantly reduced the amount of time spent on this particular activity.

With the implementation of iRebal, McLean instituted a company mandate that all daily trading must be submitted by noon. As a result, the firm has been able to reallocate resources to business development and client-facing activities.

iRebal has also enabled the management team to take advantage of powerful cash management features to more efficiently deploy cash to investments or cover account expenses. On a weekly basis, McLean uses iRebal to check for excess cash across all portfolios; bi-monthly they check for required distributions; and quarterly they calculate and raise cash for fees.

iRebal's strong customization has enabled the firm to build workflows around virtually every activity related to client accounts, so when cash comes in from any source, they know about it instantly. This active monitoring helps McLean review any potential opportunities with their clients' money.

Maximized returns through tax loss harvesting

At the end of 2008, having iRebal in place enabled McLean to take advantage of a unique tax loss harvesting opportunity they may not have been able to do otherwise. "As soon as we had iRebal in place, we started tax loss harvesting company-wide," said Bryan. "It's not something we do actively; but there was an opportunity, so we did it." Using iRebal, McLean was able to wrap up an entire tax loss harvesting exercise across all of their accounts in one week.

The tax loss exercise also enabled the firm to take advantage of the unique market conditions in early 2009 to reposition their client portfolios for the future.

Implemented enterprise-wide adjustments seamlessly

Around the same time, McLean introduced a new fixed income model that dictated a change to that portion of their clients' portfolios. Through the power of iRebal, they were able to make the needed adjustments with very little effort—adjustments across an estimated 120 accounts took three half days, including the initial sell, a subsequent sell and then purchase. Bryan notes, "It's those kinds of things that have really improved the portfolio management side of the business. The ability to make company-wide changes in client portfolios has been unbelievable."

Leveraged as a vehicle for recruiting talent

In addition to improving operational efficiencies across their firm, McLean is also actively looking to attract new, talented investment advisors. While many factors have played a role in their success on this front, iRebal is a key contributor. "We had a couple of prospective advisors in to kick the tires. We showed them iRebal and they were just floored," says Bryan.

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Responsive client service

McLean was pleased with the ease of implementation and the minimal number of issues they have faced with their new software. That said, they have been impressed with how any issues that do arise are handled. "So far we have nothing but praise for the iRebal team. They are very responsive and easy to work with," says Bryan.

The software lets McLean easily provide the iRebal service team with a screen capture of any issue they may be dealing with via the online Help feature so they can visually assess the problem. This capability significantly reduces the need for back-and-forth communications and enables a quick resolution.

Streamlined account rebalancing

As McLean's experience attests, iRebal can help improve operational efficiencies and effectively manage cash in client accounts. Specifically, iRebal has the potential to:

- Significantly reduce the costs of trading and rebalancing
- Improve management of client assets
- Positively enhance productivity

"For firms looking to streamline the account rebalancing function, and automate the trading function, it may be worth a look," says Bryan.

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