

The Direct Indexing Debate: SMA vs Adhesion UMA

The Adhesion Difference

Direct Indexing within a Unified Managed Account (UMA) provides a solution for clients seeking the benefits of an indexing approach and the ability to tailor their investments based on unique financial or value-based needs, offering a balance between personalization and scalability. Adhesion's UMA is designed to support Advisors looking to add value to their clients' portfolios by offering flexibility, scalability, and simplicity. Direct Indexing within an SMA—traditionally has been cumbersome and lacked the flexibility to allow advisors to go the extra mile for their clients and achieve Advisor Alpha.

Why a Unified Managed Account (UMA)?

A Unified Managed Account removes the need to have more than one account and combines all of the assets into one account with a single registration.

Unified Managed Accounts enable the delivery of customizable investment solutions for your clients - and the economics are a potential win-win. UMAs can offer a flexible account structure to create the right portfolio solutions for clients, in a scalable way.

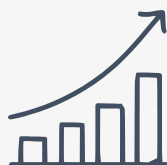
When SMAs Are Not Enough

Traditional SMAs can lack alignment with client needs due to their inflexibility in addressing unique factors such as income levels, risk tolerance, or concentrated positions, all of which require a tailored approach.

Overlapping holdings within SMAs potentially increase concentration risks and reduces diversification. The difficulty in incorporating tax optimization on an individual client basis limits the effectiveness of tax management strategies like tax-loss harvesting within an SMA. These limitations of traditional SMAs highlight the need for a more customizable and flexible solution provided in a UMA.



Demonstrate
Value



Scale Your
Practice

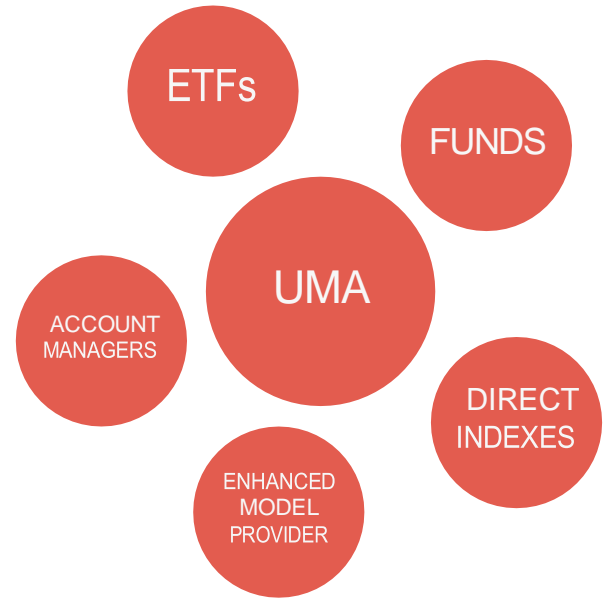


Simplify
Assets

The Potential Benefits of Direct Indexing within an Adhesion UMA

Direct Indexing within an Adhesion UMA provides the following potential benefits to RIAs:

- 1** **Enhanced Customization:** Direct indexing within a UMA typically provides a higher level of customization compared to SMAs. RIAs can align client portfolios with their unique financial goals, values, and preferences by tailoring factors such as income level, and volatility. This level of customization allows RIAs to address their clients' specific needs more effectively.
- 2** **Tax Efficiency:** Direct indexing within a UMA coupled with sophisticated tax management strategies like tax-loss harvesting and gains deferral can generate tax efficiencies. By holding individual securities, RIAs can strategically sell specific holdings to generate losses for tax purposes while maintaining desired market exposure. This approach can help optimize after-tax returns and potentially reduce tax liabilities for clients.
- 3** **Transparency:** RIAs can provide greater transparency to their clients by utilizing direct indexing within a UMA. Unlike SMAs, where investors typically receive periodic reports on the overall portfolio, direct indexing allows clients to see the underlying individual securities held in their accounts. This transparency fosters connection, as clients have a clear view of the specific companies they are invested in.
- 4** **Cost Efficiency:** Direct indexing within a UMA can provide cost advantages over traditional SMAs. By bypassing the expense of mutual funds or ETFs used in SMAs, direct indexing allows RIAs to potentially reduce investment costs for their clients. Furthermore, by holding individual securities directly, RIAs can potentially avoid double layering of fees associated with funds used in SMAs.
- 5** **Scalability:** Direct indexing within a UMA provides scalability benefits to RIAs. By leveraging technology and automation, RIAs can efficiently manage a broad client account base, while maintaining a high level of customization.
- 6** **Client Satisfaction:** Direct indexing with a UMA provides RIAs an opportunity to deliver a personalized investment experience that aligns closely with their clients' values and preferences. By providing a highly customized investment approach, RIAs can enhance client satisfaction, deepen relationships, and differentiate themselves in a competitive market.



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Investing involves risk, including the possible loss of principal. Past performance does not guarantee future results. UMAs are not suitable for all investors and should be evaluated for suitability by financial professionals prior to investing.

For more complete information about the various investment solutions available, including the investment objectives, risks, and fees, please refer to the Disclosure Brochure. Please read it carefully before investing. For a copy, please contact Adhesion Wealth Advisor Solutions (“Adhesion Wealth”).

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