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## Harvesting Time

*Relaunch*

**Synopsis:** *If you've been waiting to take advantage of a sophisticated trading, rebalancing, tax-loss-harvesting software program, now might be the time to jump into the water.*

**Takeaways:** *AdvisorPeak will show unrealized gains and losses down to the lot level, report on portfolio allocation drift and propose the most tax-aware trades to bring households back to target allocation.*

Quick: what's the one piece of software that saves you and your staff the most time and energy? And at the same time, what is the piece of software that creates more tangible value for clients than any other?

According to Damon Deru, CEO of AdvisorPeak (<https://advisorpeak.com/>), the answer is trading/rebalancing software, and it's not even close. "I designed TradeWarrior [Deru's previous trading/rebalancing software] back in the early 2000s, at a time when we were using Excel spreadsheets to run through our rebalancing and tax loss harvesting process," he says. "We wanted to trade on a household basis and be tax-efficient. But to run through the 500 clients that we had at the firm at that time, it would literally take us three months to get through that process, start to finish."

Today, he says, the same advisory firm has tripled in size. Using AdvisorPeak, the company does all the trading to rebalance client portfolios in less than three hours.

What about tangible

***Rebalancing took months using spreadsheets. With AdvisorPeak, it took hours.***

value? If the various "advisor alpha" calculations are correct, effective and opportunistic tax-loss harvesting and rebalancing, taken together, can add up to 60 basis points a year to after-tax client portfolio returns. Over time, that represents real money.

According to our annual software survey, only a third of all advisory firms are currently availing themselves of these time-saving, return-enhancing features, and it is a bit of a mystery why that number isn't higher. But if the other 66% of advisors have been waiting for a breakthrough technology in the trading/rebalancing software category, the wait may be over. After merging his former firm, TradeWarrior, into Oranj, Deru relaunched in the trading/rebalancing space as AdvisorPeak, and created a new all-star management team that is working on a broad range of enhancements. The team now includes Pete Geza, who was co-founder and chief technology officer of RedBlack Software (a strong competitor in the trading/rebalancing arena), and Tim Minert, former national sales director at Redtail (the profession's most popular CRM system).

The new firm was launched on December 1 of last year. Since then, AdvisorPeak has announced a new integration with Advyzon (see previous article) and is in the process of launching a new trade summary report.

### *Tolerance thresholds*

For that other 66% of advisors who are not utilizing trading/rebalancing software, how, exactly, can AdvisorPeak make their lives easier? Start with the ability to see each client's household asset allocations currently and the original target

in which positions.

Meanwhile the advisor can set individualized tolerances for each asset class. Run a report, and you are alerted when the bond allocation is (as an example) 10% higher or lower than the original percentage of the total portfolio, but you might set a wider 25% tolerance on large cap and midcap

AdvisorPeak is now working on proactive alerts, so that client positions will be monitored in real time, and an alert will pop up on the dashboard whenever any clients who have too much or too little cash, or any client holdings have breached the tolerance threshold and need to be rebalanced back to target allocations.

The firm is also partnering with several risk tolerance measurement systems, so that if client portfolios move outside a client's comfort zone, that, too, will show up as an alert, with recommended trades that will move the portfolio back to safety.

Overall, says Deru, trading/rebalancing software has not been intuitive or easy to use—and addressing this was a priority with AdvisorPeak. “The idea is not just to make the software do more of the work, but also make it more intuitive and streamlined,” he says.

### *Wide open opportunity*

Of course, every advisory firm manages client portfolios a bit differently. Some use models, some blend models, and some create customized portfolios for each client. Deru says that advisory firms are using AdvisorPeak for all of the above, and the software offers the ability to rebalance models, replace one ETF, fund or security globally in a model with another ETF, fund or security and see the tax implications for each client who is invested in that model. Some

allocations—and the differences in each asset class. The software will make “smart” trade recommendations—what to sell, what to buy, to bring the portfolios back to their original allocations. “If you have the same holding in taxable and IRA accounts, it will recommend that you sell anything with a gain from the IRA account, and anything with a loss out of the taxable account,” says Deru.

Or you can match gains with losses in the taxable accounts. AdvisorPeak automatically pulls the cost basis of each position and even each lot, either from the custodian or from the various portfolio management systems that it integrates with. You can see the unrealized gains and losses in each position in every portfolio, down to the lot level, and check to see if any of the proposed sales would trigger short-term capital gains. The system will also show you which clients have harvestable losses—

stocks, and a still wider tolerance for small cap and international holdings.

Each day, week or month, the advisor can check for tax-aware rebalancing opportunities across all client portfolios, based on tolerances she has set in the system.

The system also lets you know if/when cash needs are above or below thresholds, and if there isn't enough cash in a household's portfolios, it will recommend sales that will raise cash and at the same time bring the overall portfolio mix back closer to the original tolerances—and in many cases harvest losses as well.

These alerts are not automatically showing up on your dashboard, however. “Currently, in the system, you have to run a drift report when you want to look,” says Deru. “It is up to the advisor to go in and run this analysis and watch for this data.”

***AdvisorPeak lets you see when your client portfolios have breached their allocation tolerances, see tax implications of trades and keep cash above certain household thresholds.***

General

Sam & Lillian Daugherty Hous... Moderate Conservative (Class ...)

\$281,318 Total Buys

\$434,897 Total Sells

Cash

Total Current Cash \$230,509 | 13.81 %

Cash Target \$383,982 | 23.00 %

Projected Cash 1 \$383,955 | 23.00 %

Cash Difference (\$27) | 0.00 %

Investments

Current Investment \$1,438,980 | 86.19 %

New Long-Term Gain (\$56,344) | -3.37 %

Projected Investment 1 \$1,285,401 | 76.99 %

New Short-Term Gain \$15,793 | 0.95 %

Tax Summary

Account Summary

Standard View Flattened View

Class Summary

Class	Classification ...	Current	Current %	Target	Target %	Projected	Difference	Buy Amount	Sell Amount	ST Gain	LT Gain	Fee Total
Asset Allocation	Asset Class	\$201,979	12.10 %	\$333,898	20.00 %	\$333,898	(\$0)	\$131,919	\$0	\$0	\$0	\$0
Global Bond	Asset Class	\$186,410	11.17 %	\$150,254	9.00 %	\$150,251	(\$3)	\$0	\$36,159	\$0	\$0	\$24

Add Trade

Security	Ticker Symbol	Trade Type	Trade Amount	Current Units	Trade Units	Projected Units	Current Amount	Projected Amount	Cost Basis	LT Gain	ST Gain	Fee Total
GIM - Templeton Global Income	GIM	None	\$0.00	9,047	0.000	9,047	\$57,988.10	\$57,988.10	\$54,270	\$0	\$0	\$0
Templeton Global Total Return...	TTRZX	None	\$0.00	1,784	0.000	1,784	\$21,868.17	\$21,868.17	\$0	\$0	\$0	\$0
Templeton Global Bond Instl	TGBAX	None	\$0.00	3,786	0.000	3,786	\$45,658.46	\$45,658.46	\$0	\$0	\$0	\$0
GIM - Templeton Global Income	GIM	Sell Some	\$36,158.81	9,500	5,641.000	3,859	\$60,895.00	\$24,736.19	\$0	\$0	\$0	\$24

AdvisorPeak Adam Riley (21294818) Damon Der

General Current Balances Open Lots Cash Settings Trade Settings Transaction History Tags

General

Account Margin Status: Cash Account

Minimum Cash: \$ 10,000.00 or 0 %

Margin Amount: \$0

Minimum Cash End Date: 4/15/2019

Cash Distributions

Amount	Percent	Frequency	Monthly Timeframe	Total Cash Withheld	Start Date	End Date	Reason for Withhol...
\$2,500.00	0.00 %	Monthly	3	\$7,500.00	Tuesday, April 09, ...	Sunday, February ...	RMD

Cash Summary

Current	\$34,661	Minimum Cash	\$0
Margin Amount	\$0	Cash Distributions	\$7,500
Total Current Cash	\$34,661	Total Required Cash	\$7,500
		Available Cash for Trading	\$27,160.75

**Top screen:** AdvisorPeak's rebalancing results screen lets you dig into asset classes are over-allocated, and the system will propose possible trades to rebalance.

**Lower screen:** AdvisorPeak's cash management features include setting a minimum cash amount, as well as monthly distributions from the account that are accounted for during the trading process.

are using AdvisorPeak for index replication strategies, using individual securities.

Meanwhile, advisory firms use a variety of custodians and client asset management/portfolio accounting systems. You can see the AdvisorPeak integrations

time-saving software category. “You have a surprising number of advisors who are still manually trading,” he says. “And then there are a lot of advisors who are using some form of free rebalancer, either from the custodian or something that was bolted onto

the enhanced technology and convenience of trading systems. Some will bypass ETFs and create index replication portfolios as their clients’ core models, and subscribe to model marketplaces for actively-managed satellite portfolios.

More securities means more price movement, and more and potentially better opportunities to offset gains with losses, and achieve free alpha by a richer menu of opportunistic tax loss harvesting.

Custodians, meanwhile, will allow advisors to trade in fractional shares, making more precise allocations possible.

“We have the technology to do all those things now,” says Deru. “But before that happens, there’s a lot of time savings that advisors could be taking advantage of. If they’re looking for the most intuitive tool with the easiest interface and learning curve,” he adds, “I’m hoping they’ll look in our direction.”

here: <https://advisorpeak.com/partners/>, but it basically includes all the institutional custodians, Shareholders Service Group, LPL Financial and TradePMR, plus all the portfolio accounting systems you’ve probably heard of (now including Advyzo), plus Riskalyze, Totum and StratiFi client risk tolerance tools.

Deru sees a wide open marketplace for what he believes is the profession’s most powerful

one of the performance reporting systems.” As an example, he points to a very basic rebalancer that was added to PortfolioCenter before it was sold to Envestnet.

If you add the two groups together, the number of advisory firms that haven’t yet used a full-featured trading/rebalancing tool is actually much higher than 66%.

Over the next 5-10 years, Deru expects more planners and advisors to take advantage of

***Only 33% of advisors are using trading/rebalancing tools, and only a fraction of those are using a full-featured system. One reason could be that they haven't been easy to use.***

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