



# Benefits of Separate Accounts

Although it may seem that fixed income mutual funds and separately managed accounts are quite similar, there are several unique differences between them. Separately managed fixed income accounts offer numerous distinct benefits. An overview of the principal benefits are illustrated in the table below:

	Separately Managed Account	Mutual Fund
<b>Account Ownership</b>	Investor owns the individual securities in his or her portfolio.	Investor <u>does not</u> actually own the underlying fixed income securities, but instead owns a share of the fund. This subjects the shareholder to additional supply and demand fluctuations.
<b>Investment Customization</b>	Account can be explicitly customized to the investor's investment objectives. Mutual funds do not have this capability. Investment guidelines and restrictions can be designed specific to the account.	The same for all investors. <u>Not</u> fully customizable according to the investor's objectives. The investor is limited to the particular objective of the mutual fund.
<b>Minimum Investment</b>	\$100,000 per account.	Range from \$500 to \$5,000 per fund.
<b>Tax Efficiency</b>	Tax efficiency is one of the most compelling benefits of separate account management. Because investors own the individual securities, the account can be managed specifically for their individual tax situation.	A mutual fund is <u>not managed</u> specifically for any unique tax situation. Additionally, fund turnover can be extremely high and capital gains distributions may add to a shareholder's tax liability.
<b>Tax Management</b>	Potential for client and his or her financial advisor to manage taxation of gains.	Under sole control of portfolio manager.
<b>Investor Servicing &amp; Transparency</b>	Investors have full access to institutional-class asset management. Transparency allows investors to examine their portfolio regularly. Tends to include a high level of individualized service, consultation and performance analysis.	Client service for a mutual fund is limited, as investor's assets are pooled together. The <u>lack of transparency</u> prevents investor from timely knowledge of specific investment holdings.
<b>Quarterly Statements</b>	Provide comprehensive portrait of account activity and how and why performance was achieved.	Typically report performance only.
<b>Cost of Management</b>	Separately managed accounts offer a competitive asset-based fee. Single annual wrap fee, typically 1% to 3% of assets. The management fee is the only fee and is inclusive of all services. The investor has control over the fees he or she pays for a managed account.	Mutual funds have an expense ratio that includes management fees and 12b-1 fees used for marketing the fund (which are often higher than the fee an investor would pay for a separately managed portfolio). Average operating expenses average about 0.95% industry wide.

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