**Rebalancing Made Easy**

By David L. Lawrence

Portfolio rebalancing can be a time consuming and largely inefficient task if attempted manually. That is why portfolio management softwares and rebalancing solutions have become so popular. However, not all solutions will necessarily fit the needs of a particular financial advisory firm, depending on a number of factors. As an example, Envestnet Tamarac ([www.tamaracinc.com](http://www.tamaracinc.com)) is a well-known, highly efficient solution for portfolio management and rebalancing. But, its sophistication (and corresponding price) may or may not fit a firm, particularly a smaller firm with more modest needs. The truth is, in the world of financial advisors, there is no one-size-fits-all approach. Different tools are needed for different circumstances. It is important to evaluate such tools based on the specific needs and budgetary constraints of the financial practice.

For those firms with less sophisticated needs and/or budget constraints, there are two relatively new solutions worthy of checking out and one firm that has been around awhile that deserves a second look. The first of these is a company called RedBlack ([www.redblacksoftware.com](http://www.redblacksoftware.com)). RedBlack touts itself as rebalancing simplified. It offers a wide selection of import sources, such as TDAmeritrade’s Veo platform, Fidelity, Schwab, Advent and many others. It recently announced an integration with Scottrade as well. The platform has a dashboard feel with Account breakdowns, Account value distributions, recent filings and reminders, such as expired restrictions.

RedBlack has the capability of rebalancing across multiple accounts, pulling trade logs for verification purposes and monitoring cash balances. In addition to pulling data from TDAmeritrade’s Veo platform, it can also export data back to Veo for monitoring. It has comprehensive trade block reconciliation features and the software can rebalance between tax-deferred and taxable accounts automatically on a global percentage basis. RedBlack also has the capability of creating an IPS with data imported from such financial planning sources such as MoneyGuidePro ([www.moneyguidepro.com](http://www.moneyguidepro.com)).

Financial models can be created in one of three ways: 1) by asset class, 2) by security type or 3) by a model of models approach. This provides a high level of flexibility in creating and managing investment models for clients.

RedBlack can run household drift reports to see who is out of tolerance (based on standards established by the financial advisor) and then set up workflows to do the rebalancing. And, while there is a lot more detail to what it can do, it is fairly intuitive software with an easy to understand desktop interface. In a conversation with Jeff Comstock, Director of Client Relations at RedBlack, He mentioned that the price is based on a number of factors, including the number of users, the size of the firm’s AUM and what modules may be selected. With RedBlack, the financial advisor can select the specific modules that he/she may need and save money over those solutions that have an all or nothing approach.

The second solution is Trade Warrior ([www.tradewarriorsoftware.com](http://www.tradewarriorsoftware.com)). One of the most unique of the newer solutions, Trade Warrior touts itself as an easy to use, industry tested platform that can save financial advisors hundreds of hours a year. Trade Warrior’s CEO, Damon Deru was asked what was lacking in the existing platforms that compelled Trade Warrior to be developed. His answer was Cost and Usability. Many platforms offer great features, but may also charge higher fees to use those features. The concept at Trade Warrior was to develop a platform that is quick to learn, easy to use and flexible enough to scale to the needs of different sizes of financial practices. Damon mentioned that the platform was designed to look at feel like Microsoft Office. Similar to RedBlack, there is a fairly long list of import sources, including Schwab and Schwab’s Portfolio Center, Trade PMR, AssetBook, Fidelity, Morningstar Office, Pershing, Scottrade, TDAmeritrade and many others.

There is considerable flexibility in grouping households and portfolios. There is also flexibility in how you move accounts: by groups or just one fund for instance. The financial advisor can select multiple securities per class and/or create a model of models approach.

What may be the most compelling reason to check them out is the cost. Trade Warrior has no Setup Fees and offers a 60 day risk-free trial period. The software subscription is based on a base fee plus a small basis points add-on percentage that gets lower as a firm crosses 100 mil in AUM and also lowers again at over 200 mil AUM. They even have a lower basis points threshold for 1 billion dollar AUM firms. They also have no seat fees, and the financial advisory firm can load the software on as many computers as they like.

The platform is capable of many tasks, including tax loss harvesting. It also has an intuitive message area, with warnings and other reminders. The rebalance results screen is fairly simple and the alerts screen can save hours in researching which firms are out of balance. Another interesting aspect of Trade Warrior is its ability to handle multiple custodians and they mentioned that they may be introducing a user permissions level function next year.

The third solution is Total Rebalance Expert ([www.trxpert.com](http://www.trxpert.com)). Total Rebalance Expert has been around for a while, but there are new features, functionality and other news that may spur a financial advisor to take another look at this platform. TRX recently announced integration with Orion Advisor Services ([www.orionadvisor.com](http://www.orionadvisor.com)) which is essentially a packaged product that includes the TRX rebalancing software. Additionally, they have added a number of new import sources, the latest being Advent.

TRX is an easy to use, flexible and efficient rebalancing solution. It is best known for its focus on tax efficiencies in the rebalancing of portfolios. However, it has many other features that can significantly increase productivity and capacity of a financial advisor’s practice. With TRX, a financial practitioner can maintain an unlimited number of positions per asset class. It is also capable of pre-setting preferred buys per asset class and models can be built based on the security level, account level or household level. Portfolios can be constructed based on asset class and sub-class with a mix of different types of securities such as mutual funds and stocks in the same asset class. This translates into a high level of customization to fit the needs of clients. TRX also offers a risk-free 90 day trial period.

With apologies to all the other rebalancing solutions, these three solutions (RedBlack, Trade Warrior and TRX) are examples of rebalancing tools that serve the needs of financial firms with unique sets of needs. As with any software, it is important to not only match up the solution with the needs of the practice, but also to investigate the integration capabilities with other solutions, systems or software being used by those firms to achieve the highest levels of efficiency, productivity and capacity.

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