

Individually Managed
accounts

An Investor's Guide

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Preface

This book was written to further educate investors and their financial advisors about the customized investment services generally known as Individually Managed Accounts. Throughout this book, I refer to this investment as Individually Managed Accounts, or IMAs, although they are also known within the financial services industry as Separately Managed Accounts. The acronym IMA best conveys the features that distinguish this form of asset management from other forms of investing.

Recent investment industry statistics confirm the increasing interest in IMAs by high-net-worth individuals and their advisors. According to the Boston-based research firm Cerulli Associates, IMA programs have expanded at a thirty percent annual rate since 1994. When this book went to press, total assets invested in IMAs were approximately \$450 billion. Financial industry professionals expect total IMA assets to exceed \$2.5 trillion by 2010. This represents tremendous double-digit growth for the balance of the decade.

This book is composed of three parts. Part I highlights those issues relevant to the challenge of achieving a real return from all types of investments including IMAs, net of fees, and taxes. Chapter 4 comprises an extensive study of IMAs versus mutual funds. The focus is primarily on embedded capital gains features of mutual funds that prevent individual investors from having any control over the money they invest in mutual funds. I believe mutual funds are excellent investment vehicles for the average investor. But

after the careful perusal of this chapter, I think any reader with over \$100,000 of investable assets will conclude that IMAs may be a better alternative.

Part II introduces fundamental issues related to investment management and investor behavior, drawing directly from my own experience of over twenty years, and on the empirical research conducted by academics and investment professionals over the past thirty-five years.

Part III was the most fun for me to write. It is intended to impart the real-life advantages of implementing IMAs as the key tactic of wealth management strategies.

I take full responsibility for the content, focus, and theme of this book. Some opinions expressed may be open to debate, although the recommendations are submitted in the spirit of a reasoned, prudent, and conscientious approach to advising investors.

I am very grateful to those who took a sustained interest in this book. I could not have written the book without the guidance, counsel, encouragement, and critique of the following people: James Malcolm for his assistance with the interviews, Stuart Rockett and Ralph Rieves for editing, and Tim Fitzpatrick for graphic assistance. Thanks go to my wife, Tara, for her patience with my chosen profession. I also thank my children, Lynn, Blaise, and Pierce for their love, and my Mom for her laugh.