



The Wilson Group at Morgan Stanley
Eric S. Wilson, CIMC®, Family Wealth Director

“What are the **benefits of a separately managed account** as the primary investment vehicle for a sizable investor?”

By Eric S. Wilson

Separately managed accounts (SMAs) offer investors a multitude of benefits not offered with other investment solutions. First, when investors hire a separate account manager, they are getting active portfolio management that is transparent on a daily basis. This allows greater insight and control over their asset allocation and any overlap that may exist in the portfolio. And since the individual holdings of other investment options are not made known to the investor in the same timely fashion, the SMA seems a better way to go.

Second, when an investor hires an SMA manager, the manager purchases, on the investor's behalf, a portfolio of stocks/bonds with a cost basis the day the investments are purchased. This avoids the investor's having to pay tax on any accrued capital gains that may exist in other investment vehicles, while still being able to utilize the services of the same management team.

An additional benefit with regard to taxes and SMAs is that the investor may instruct the manager to selectively realize tax losses in the portfolio at any time to offset gains elsewhere in the investor's portfolio. Given that tax rates in general seem poised to rise, it would seem that a higher degree of control over tax distributions is a plus for the investor.

While SMAs could be higher in cost than non-managed vehicles, a large investor can benefit from economies of scale and typically secures a fee that is lower than that for other actively managed investment solutions. Additionally, because the fee to manage an SMA is actually charged to the investor, the fee may be tax-deductible. There are generally no other “hidden” or not-easily-identifiable fees with SMAs, as exist with other investment options. Other mainstream investment options have internal fees associated with them that are not deductible. And

when you add in the advisor's fee for managing these other types of investments, the cost to the investor can quickly escalate.

SMA portfolios may be liquidated intra-day, providing the investor with a high degree of liquidity in case of an emergency or preference to exit the markets. However, the two big drawbacks to an SMA are the high investment minimums, which usually start at \$50,000 or more, and the fact that it is difficult for SMAs to own non-U.S. dollar-denominated stocks/bonds. Other investment vehicles should be considered to provide exposure to the latter.

Investors of size should consider the use of SMAs to build out the core of their investment portfolios. By doing so, they allow themselves (1) the opportunity to capture alpha at a cost commensurate with their asset level, (2) intra-day transparency and liquidity and (3) greater control over tax distributions. ☺

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How to reach **Eric S. Wilson**

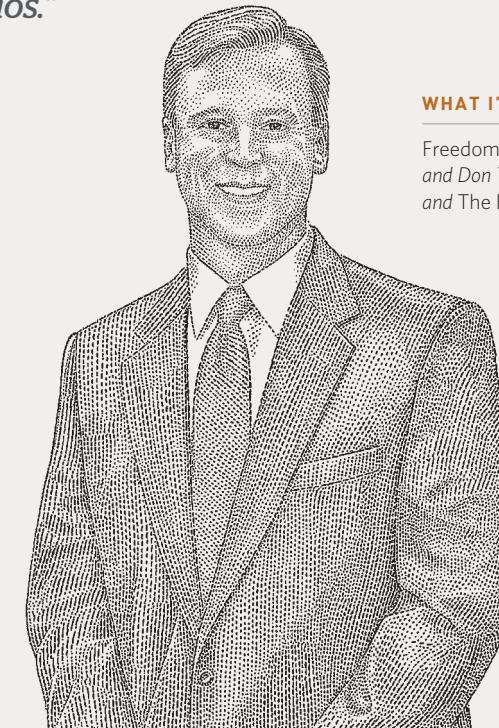
Interested families may reach me with questions or with interest at 877.442.5445 or eric.s.wilson@morganstanley.com.

WHAT I'M READING NOW...

Freedom from Wealth, by Charles Lowenhaupt and Don Trone; Howard's Gift, by Eric Sinoway; and The Explicit Gospel, by Matt Chandler

MY HOBBIES ARE...

Teaching my sons about life through sports, playing tennis, reading and gardening



WHAT MAKES A GOOD CLIENT...

A family that knows where it wants to go and is looking for someone to help them steward the product of their life's work.

About Eric S. Wilson

Eric S. Wilson is a wealth advisor and senior vice president at Morgan Stanley, and for the past 18 years he has served the varied needs of families whose wealth has the potential to change the essential nature of their descendants' lives. Mr. Wilson began his career at Merrill Lynch in 1994, where he served until joining Morgan Stanley in 2010. For his work with affluent and high net worth families throughout the Southeastern United States, he has been specially designated at Morgan Stanley as a family wealth director. Achieving this prestigious designation meant adhering to stringent quantitative and qualitative requirements set forth by Morgan Stanley and now provides him with specialized and dedicated resources from around the firm, which benefits his clients by providing them with many of the same services offered by family offices. Mr. Wilson is a Certified Investment Management ConsultantSM (CIMC[®]) and an Accredited Investment Fiduciary Analyst (AIFA[®]). He proudly serves on the advisory boards of the Community Foundation of Central Georgia and Children's Hospital of Central Georgia and is a member of the Macon Estate Planning Council. He and his wife, Cindy, are proud parents of four sons, ages 11, 11, 11 and 4.

Assets Under Management
\$1.6 trillion (Morgan Stanley Wealth Management)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
\$5 million (planning services); \$2 million in investable assets (investment services)

Largest Client Net Worth **\$25 million+**

Financial Services Experience
18 years

Compensation Method
Asset-based fees and commissions (investment and insurance products)

Primary Custodian for Investor Assets
Morgan Stanley Smith Barney LLC

Professional Services Provided
Planning, investment advisory and money management services, advanced wealth transfer planning and liability management

Association Memberships
IMCA, Fiduciary 360 (www.fi360.com)

Website <http://morganstanleyfa.com/ericwilson> | Email eric.s.wilson@morganstanley.com

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