

WHAT IS “SMART INVESTING WITH CLARITY™”?

By Mark Pearson, President & CIO of Nepsis Inc.
from InvestingWithClarity.com Blog

Very simply, it is the power of a Separately Managed Account (SMA) using the combination of SCIENCE AND ART that provides investors a level of Flexibility and Transparency enabling them to enhance their investment process.



I believe a Flexible & Transparent SMA account can provide investors with significant advantages compared to traditional “cookie cutter” type portfolios that use mutual funds and ETFs (Exchange Traded Funds).

As many of our clients know, we LOVE volatility, and once again, volatility created great opportunities to buy long-term investments on sale!

What is an SMA? In basic terms, it is exactly as it says it is. It is an account managed by a professional money manager(s), where the securities in the portfolio are owned by an investor and where their investments are not commingled with anyone else’s money — unlike a mutual fund or an ETF.

One of the many advantages of an SMA is the ability for investors to gain greater control and influence in how their money is managed while at the same time providing a deep level of Transparency that mutual funds and ETFs cannot provide.

Other advantages include: the potential for greater tax efficiency, greater communication and transparency with the portfolio manager(s), and investors directly owning the investments in the account, allowing for a greater degree of investment transparency and customization.

In a period where there are several different trends affecting both financial advisors and investors, I believe now more than ever, that being more deliberate in sharing the benefits of an SMA account with advisors and investors is critical.

What is changing in the financial services industry?

We are in a period where technology and social media continue to grow at a rapid pace, making CLARITY more important than ever when it comes to investing decisions.

Additionally, we are in a period where financial advisors are at an all-time low for being trusted by investors. The advent and growth of “Robo Investing” is upon us, and there is heavy focus on paying the lowest investment “cost” possible. I believe the financial services industry is in the process of potentially ushering in huge unintended consequences that could affect investors’ investment success in the LONG RUN, by encouraging investors to focus on the WRONG things.

Due to the dynamics and structure of stock market indexes and the fact that it is human nature for people to focus too much on indexes and compare them to their investments, I believe the industry is putting too much focus on index returns rather than focusing on the investors’ goals, investment objectives, and the VALUE of Flexibility and Transparency in enhancing one’s investment journey.

Then there are the investment fees. As the financial services industry has decided to make investing a “cost” issue as opposed to an “investment” issue (investing in a manager and advisor to help you be successful), we appear to be turning the investment industry into a “fast food” process — cookie cutter and cheap.

The fact of the matter is, investing should not be cookie cutter as investors have different goals and objectives. And as for “cheap”, I always go back to the old adage, “you get what you pay for”.

Investors don't think about or care about Flexibility and/or Transparency until they need Flexibility and/or Transparency. Can you put a price or value on Transparency and/or Flexibility when you need it most?

When is transparency usually needed most by investors? Usually, it's during times of uncertainty like stock market corrections or when there are big changes in their lives. It is the power of Flexibility and Transparency which we believe provides the client a significant advantage in their decision making, including the ability to stick to a time-tested investment process.

With the advent of “Robo” investing, there is more and more emphasis on investment decisions being made by computers and “cookie cutter” asset allocation strategies as opposed to processes that can enhance an investor's ability to achieve their investment and planning goals in the most efficient manner possible, over time.

Unfortunately, history has shown that many investors have a tendency to be short-term thinkers and make decisions without fully understanding the long-term implications of those decisions, often times driven primarily by emotions as opposed to logic.

Because of the growth in “Robo” investing and the emphasis on lower management fees, another unintended consequence of this investing environment could be the demise of the “art of investing”. Like anything else, there IS an element of **ART and SCIENCE** that makes a time-tested process successful, including investing.

Because an SMA type account provides a great level of Flexibility and Transparency, it potentially allows for the Art of Investing to enhance a portfolio's purpose over time.

BOTTOM LINE:

The power of SMARt Investing can allow investors the ability to enhance their investment process because of the power of Flexibility and Transparency, and the fact that investors' assets are not commingled with other investors' money.

Invest with Clarity™! — Mark Pearson