

Morningstar Office Academy Day 1: Client Management

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Morningstar Office Academy Day 1: Client Management

The content of this document mirrors the lessons demonstrated in both Client Management sessions on Day 1 of the Morningstar Academy online classes.

Overview

The last section of this document lists practical application exercises designed to help you put into practice key actions demonstrated in this session.

The morning session focuses on inputting client and account data. The following topics are addressed:

- how client data can be entered in Morningstar Office
- manually creating a client record
- editing a client's profile, and
- creating a quick account

The afternoon session focuses on billing. The following topics are addressed:

- creating management fee settings
- applying a fee methodology
- applying management fee settings
- creating a Billing Summary report
- creating a custodian file
- adding additional charges or discounts to a bill
- excluding securities from billing, and
- generating Global Billing reports

Lesson 1: Inputting Client and Account Data

This lesson explains the differences and similarities among the three methods of inputting client data.

In this lesson, you will learn about the following topics:

- importing (most commonly used)
- manually data entry, and
- converting an existing data set into Morningstar Office,

Your custodian provides daily or weekly data files containing the following information:

- client names and contact information
- security prices, and
- transaction records.

This data may need to be reconciled before being posted to client accounts. Upon completion of the import process, your complete list of clients and accounts will be populated in Morningstar Office.

 For complete training on the Import process, please set up a meeting with an import specialist

Rather than importing, you can create client or prospect account information by entering it yourself. You can manually create accounts when importing or data conversion is not available, or to create prospects and generate certain analytical reports.

Your clients, accounts and transactional history can be converted into Morningstar Office directly from your prior portfolio management system. Data conversion requires an additional cost, and back-office services are available to handle daily import and reconciliation as well.

Overview

How do I import client and account data?

How do I manually enter client and account data?

How do I convert client and account data?

Lesson 2: Understanding the Import Process

In this lesson, you will learn about the following topics:

- a high-level understanding of the import process (In this demonstration, TD Ameritrade is used as an example), and
- identifying the toolbars with import functionality buttons.

Overview

The Import window is shown below. It is launched by clicking the Import icon on the toolbar.

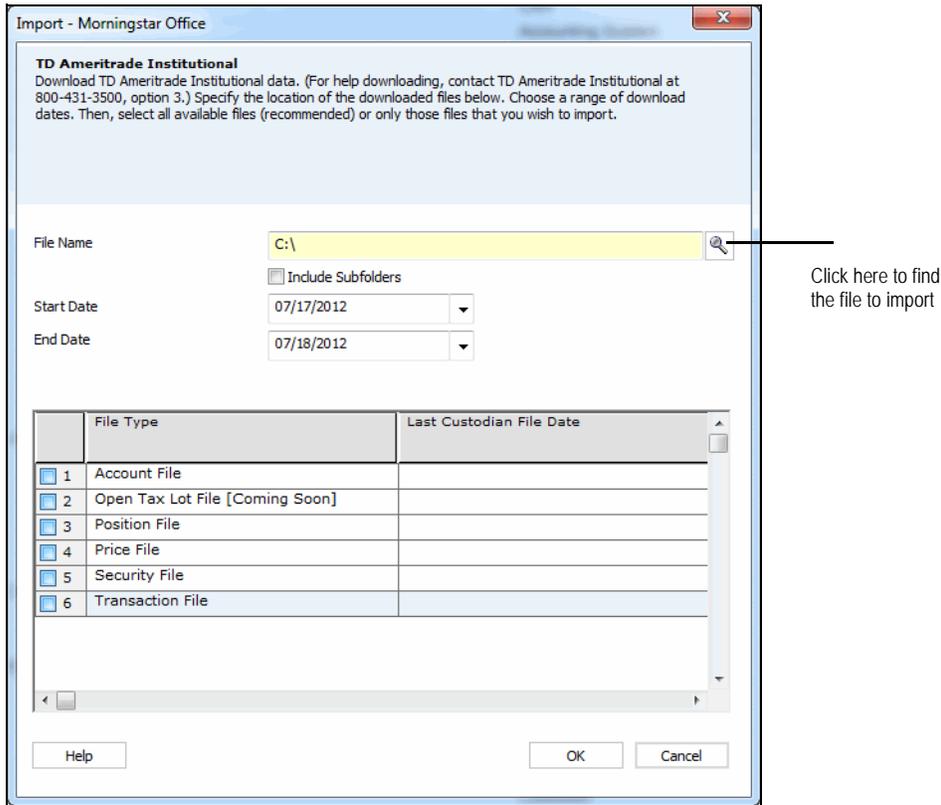
How do I access the Import window?

The screenshot shows the Morningstar Office application window. The 'Import' window is open, displaying a table of interfaces. The table has the following columns: Interface Name, Last Post Date, Last Custodian File Date, Last Reconciliation Date, and Interface Category. The table lists 25 interfaces, including Morningstar Principia, Fidelity Advisor Channel, Advent Axys, and others. A red arrow points to the 'Import' icon in the top toolbar of the application.

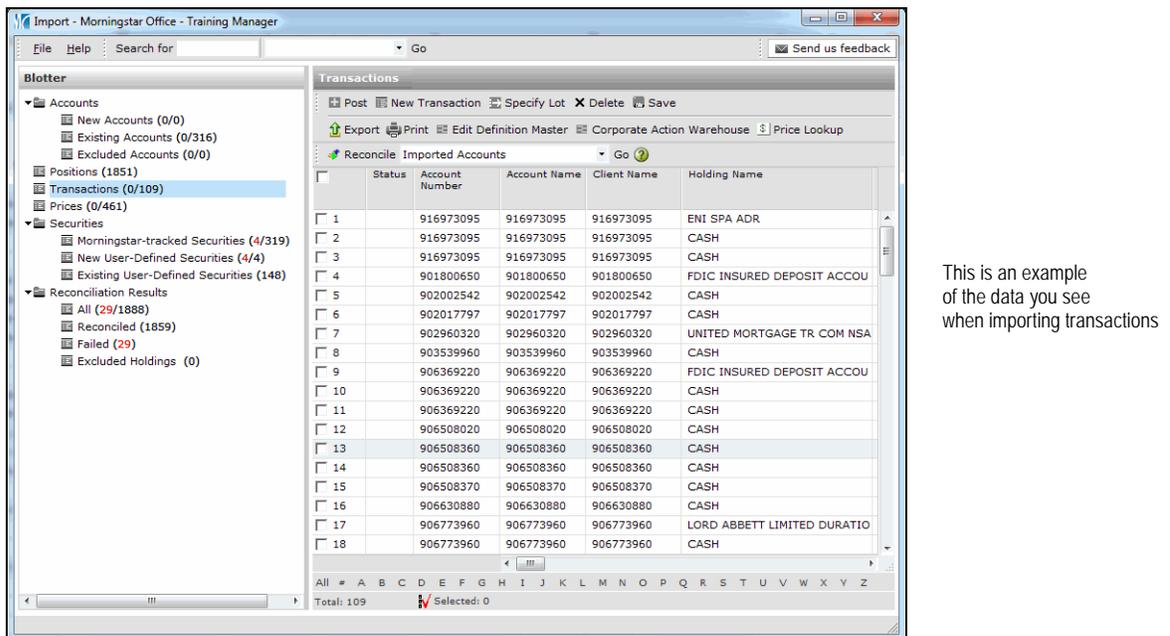
	Interface Name	Last Post Date	Last Custodian File Date	Last Reconciliation Date	Interface Category
<input type="checkbox"/>	1 Morningstar Principia - positions (XML)	4/7/2008			Morningstar Product
<input type="checkbox"/>	2 Fidelity Advisor Channel - transactions	4/7/2008	6/18/2007		Custodian
<input type="checkbox"/>	3 Act!				CRM
<input type="checkbox"/>	4 Advent Axys - positions (XML)				Accounting System
<input type="checkbox"/>	5 Advisors Assistant (XML)				Accounting System
<input type="checkbox"/>	6 AdvisorsLynx / Orion Advisor Services (XML)				Accounting System
<input type="checkbox"/>	7 Albridge (formerly StatementOne)				Data Service
<input type="checkbox"/>	8 ByAllAccounts				Data Service
<input type="checkbox"/>	9 CAMS Positions (XML)				Accounting System
<input type="checkbox"/>	10 CAMS Transactions (Generic Interface)				Accounting System
<input type="checkbox"/>	11 Captool Professional Investor (XML)				Accounting System
<input type="checkbox"/>	12 Centerpiece / Portfolio Center (XML)				Accounting System
<input type="checkbox"/>	13 Custodian & Accounting Templates - Quick Accounts				Custodian
<input type="checkbox"/>	14 DST FAN Mail				Data Service
<input type="checkbox"/>	15 DST Vision (XML)				Accounting System
<input type="checkbox"/>	16 E-Z Data (Client Data System/SmartOffice) (XML)				Accounting System
<input type="checkbox"/>	17 eMoney 360 & 360Pro / eMoney Advisor (XML)				Accounting System
<input type="checkbox"/>	18 Fidelity Advisor Channel - positions (XML)				Accounting System
<input type="checkbox"/>	19 Fidelity Wealth Central / Fidelity Streetscape Hybrid				Custodian
<input type="checkbox"/>	20 First Clearing				Clearing Firm
<input type="checkbox"/>	21 First Clearing (Generic Format)				Clearing Firm
<input type="checkbox"/>	22 Folio Investing (Beta)				Custodian
<input type="checkbox"/>	23 FTJ Fundchoice				Accounting System
<input type="checkbox"/>	24 Genworth Financial Trust Company				Accounting System
<input type="checkbox"/>	25 Goldmine				CRM

From the Import window, you can double-click a custodian to import files.

The TD Ameritrade screen is shown below.



The data import blotter screen is shown below.



Lesson 3: Creating a Client Record Manually

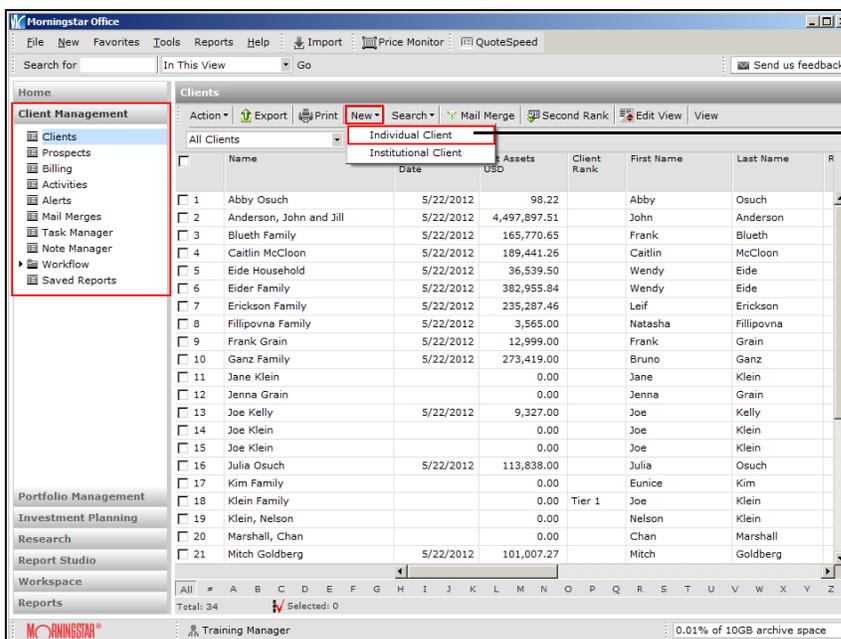
In this lesson, you will learn about the following topics:

- manually creating a client record
- adding information to a client record
- editing a client record, and
- merging clients into a single household

Manual client records are created from the Client Management tab.

Overview

How do I manually create a client record?



Click here to manually create a client

Merging existing client records allows you to do the following:

- maintain one Client Web Portal per household
- create investment planning by household, and
- generate reporting and billing for a single household

Why would I merge client records?

Lesson 4: Creating Accounts Manually

In this lesson, you will learn about the following topics:

- how to differentiate between the two Account types, Transactional versus Quick, and
- manually creating a Quick Account.

When you import accounts, they will by default be transactional accounts. They contain the complete transaction history of an account and its current positions. You can also run analytical and performance reports with historical transactions taken into account.

Quick accounts are utilized most often when client records can't be imported such as entering prospect information. You will need to manually enter current positions to create accounts. These do not contain any transactional history, but you can run analytical and performance reports, although in a limited capacity

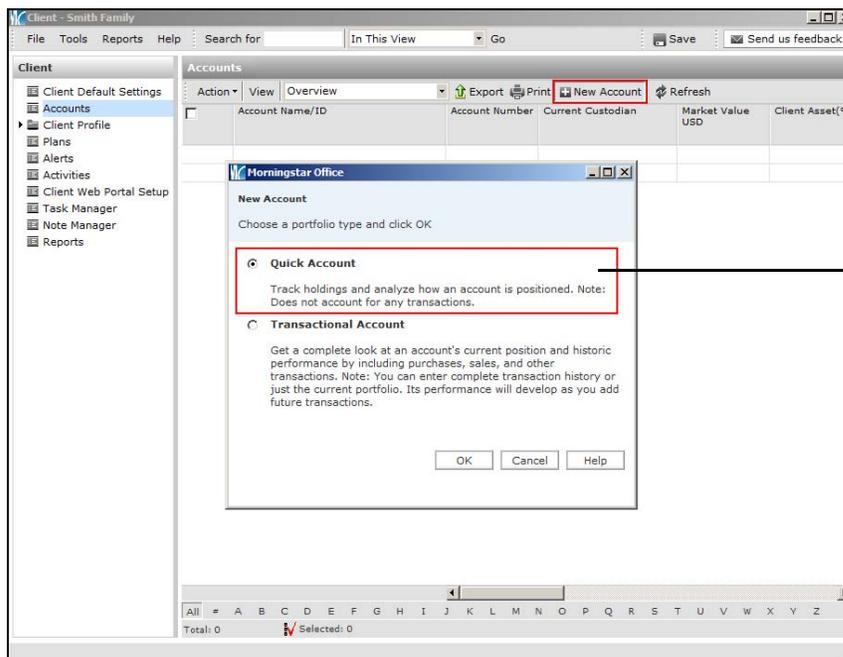
Quick accounts are created from the Accounts page by clicking the New Account icon, then selecting the Quick Account option button.

Overview

What are the characteristics of a transactional account?

What are the characteristics of a quick account?

How do I create a quick account?



Select this option to create a quick account

Required fields appear in blue.

Account Profile
Enter general account information here.

Account Name: Jane's IRA

Account Number:

Investment Company:

Phone:

Account Category: Individual Tax-deferred

Account Type: Traditional IRA

Account Owner: Smith, Jane

Portfolio weight: Floating

Display as a line item

Display Name:

Asset Class: Select

Sector: Not Classified

Industry: Not Classified

Buttons: Help, Next >>, Cancel, Settings

On the screen below, enter the positions for the account.

Holdings Entry
Enter current balances to track holdings from today onward. To track from inception, start by entering initial purchases and then add complete transaction histories after saving the account. Use the Stocks tab for closed-end funds and ETFs and the Funds tab for separate accounts, variable annuities and variable life policies. Values in Amount column are in Portfolio base currency. Prices are in securities' currencies.
Position as of: 5/30/2012

Stock/Fund | Fixed Income | Cash

Action | Enter By | Apply All | + Add | Refresh Price | Edit Definition Master | Total Amount: 0.00

	Symbol	Name	Number of Shares	USD Equivalent Amount	Amount in Base Currency	Price
<input type="checkbox"/> 1						
<input type="checkbox"/> 2						
<input type="checkbox"/> 3						
<input type="checkbox"/> 4						
<input type="checkbox"/> 5						
<input type="checkbox"/> 6						
<input type="checkbox"/> 7						
<input type="checkbox"/> 8						
<input type="checkbox"/> 9						
<input type="checkbox"/> 10						
<input type="checkbox"/> 11						
<input type="checkbox"/> 12						

Buttons: Feedback, Finish >>, Cancel, Help

Lesson 5: Creating Groups and Composites

Groups and composites organize your clients and accounts by certain attributes or demographics. Groups are lists of accounts that can be used for billing and reporting

Composites are similar to Groups, except they cannot be used for billing.

In this lesson, you will learn about the following topics:

- how to create a group record, and
- how to create a composite record

Group records are created by going to the Groups page on the Portfolio Management tab. Click the New Group icon at the top of the grid view.

Composite records are created by going to the Composites page on the Portfolio Management tab. Click the New Composite icon at the top of the grid view.

Overview

How do I create a group record?

How do I create a composite record?

Lesson 6: Billing

In the following lessons, you will learn about completing the Billing process, which includes the following components:

- creating a Billing disclosure statement
- creating Management Fee settings
- applying a fee methodology
- applying the Management Fee to the appropriate clients/accounts
- applying Management Fee allocations
- determining which accounts client fees will be drawn from
- creating a Billing Summary report
- generating a Custodian Fee file, and
- adding additional charges or discounts to a bill.

Overview

Lesson 7: Creating a Billing Disclosure

In this lesson, you will learn about the following topics:

- adding your custom disclosure to the billing statement, and
- applying the disclosure to any of your management fee settings.

To add a custom disclosure statement go to the **Settings** page on the **Home** tab.

From the Settings page, select **Reports, Tax Lot Methods, Transactions and Management Fees**.

Create a New Disclosure, then select New Billing Disclosure. You will need to enter the **Disclosure Name**, **Disclosure text** then click **Save + Close**.

Overview

How do I add a custom disclosure statement to a bill?

Lesson 8: Creating Management Fee Settings

In this lesson, you will learn about the following topics

- the four types of Management Fee settings
- creating a template of how you will bill clients, and
- creating multiple templates for use with different types of clients.

In Morningstar Office, you can create the following types of Management Fees:

- Flat fee (dollar amount)
- Total Portfolio Value Tiered fee
- Security-Based Tiered fee, and
- Performance-based fee.

To create a billing template, go to the **Settings** page on the **Home** tab. On the Settings page, select **Reports, Tax Lot Methods, Transactions and Management Fees**.

Create a **New Setting**, then select **New Management Fee Setting**.

You will need to select how to run billing calculations for client accounts. Three types of Fee Methodologies are available to use in your practice:

- client setting using the aggregate balance of all accounts
- individual account setting with the balance of each account, or
- individual account setting using a blended balance of all client accounts.

You will apply a Management Fee you created that was designated for billing on a client level or account level. You can include or exclude the clients and/or accounts that are subject to the Management Fee you created.

Creating a Billing Summary report is a two-step process:

1. First, you must generate the fee data, which runs billing calculations.
2. Next, you will create the Billing Summary, which generates billing statements for clients.

The fee data is generated from the **Client Management** tab. Go to the **Billing** page, then select **Generate Fee Data**, and select the desired **clients**.

The Billing Summary report is created from the **Client Management** tab. Go to the **Billing** page, then select **Billing Summary**. Select the **clients** for whom you generated fee data. In the Report Options window, ensure **Overwrite existing management fee data** is checked.

 Note: If you are including other fees, check **Deduct Other Fees From Custodian Accounts**.

Overview

What types of Management Fee settings can I create?

How do I create a template for billing clients?

How do I apply a Fee Methodology to clients, accounts or both?

How do I create a Billing Summary?

Custodian Fee Files tell your custodian how much to charge your clients. Upload this file to your custodian's web site for the client debits and advisor credits to take place.

How do I generate a Custodian Fee File?

This is an optional step for custom client billing. You can add one-time or ongoing charges or deductions to an account. You can exclude an account or a security from billing. The fee adjustments are automatically be added to your fee files and billing summaries.

How do I add charges or subtract discounts?

Practical Application Exercises

These exercises put into practice topics learned in the Morningstar Office Overview session. Please take the time to complete each exercise.

1. From the **Home** tab, select the **Settings** page.
2. Click once on **Reports, Tax Lot Methods, Transactions and Management Fees**.
3. Click **New Disclosure**, then **New Billing Disclosure**.
4. Enter the **Disclosure Name** and **Disclosure text**.
5. Click **Save + Close**.

1. From the **Home** tab, select the **Settings** page.
2. Click once on **Reports, Tax Lot Methods, Transactions and Management Fees**.
3. Click **New Setting**, then **New Management Fees Setting**.
4. Enter a **Setting Name**.
5. From the Billing Method field, select **Tiered Fee**.
6. Bill by **Total Portfolio Value**.
7. The Billing Rate Methodology field should be **Actual/Actual**.
8. Click the **Single Rate** box if you like, so your final fee tier that is applicable for your clients' accounts will be applied to the entire account
9. Choose your **Payment Period**.
10. Select an option from the **Payment In** field.
11. Choose whether to **Bill in** Arrears or Advance.
12. Make a selection from the **Using** field
13. Check the **Proration** field.
14. Check the **New Account** field.
15. Check the **Cash Flows** field.
16. Enter a value in the **Min. Flow Amount for Proration** field.
17. Decide whether to **Prorate In** flow or **All** flow.
18. Include **Adjustments**, if necessary, for other fees.
19. Enter the **Fee Tiers** (scroll down, if needed).
20. Enter the **Annual Minimum Fee**.
21. Enter any **Additional Fee**.
22. Add a **Billing Disclosure**.
23. Click **Save + Close**.

1. From the **Tools** menu at the top of the Morningstar Office window, select **Settings... Setting Assignments**.
2. In the Client Setting Assignment window, scroll to the Fee Methodology column.
3. Click on the **Fee Methodology** field of the client you wish to change, and choose the **Client Setting/Aggregate Balance** fee methodology.

 Note: You can change the fee methodology for your entire practice by placing a checkmark next to that client, then click **Action...Apply to all...Fee Methodology**.

5. Click **Save**.

Overview

Exercise 1: Create a Billing Disclosure

Exercise 2: Create a Total Portfolio Value Tiered Management fee setting

Exercise 3: Apply a Fee Methodology to Clients, Accounts or Both

1. From the **Tools** menu at the top of the Morningstar Office window, select **Settings... Setting Assignments**.
2. In the Client Setting Assignment window, scroll to the Management Fee column.
3. Click on the **Management Methodology** field of the client you wish to change, and choose the Management Fee you recently created.

Exercise 4: Apply a Management Fee Setting

1. From the **Tools** menu at the top of the Morningstar Office window, select **Settings... Setting Assignments**.
2. In the Client Setting Assignment window, scroll to the Fee Allocation Account(s) column.
3. Click the **magnifying glass** icon in the row that corresponds to your client.
4. In the new Billing Accounts window, click the **Add** button.
5. In the new Find Account(s) window, click **Go** to bring up all of the current client's accounts.
6. Select the **account** you want to draw fees from and click **OK**.
7. Click **Save + Close** in the Billing Accounts window.

Exercise 5: Apply Management Fee Allocations

Reminder, this is a two step process. First, you must generate the fee data, then you create the Billing Summary report.

1. Go to the **Client Management** tab.
2. Select the **Billing** page.
3. Click the **Generate Fee Data** icon.
4. In the Generate Fee Data window, select the desired **clients**.
5. In the next window, leave the Billing Period as **Last quarter end**, then click **OK**. You are brought back to the Billing page
6. Click the **Billing Summary** button.
7. In the new window, search for and select the **clients** for whom you generated fee data then click **OK**.
8. Leave the Start date and End Date fields as is.
9. Check the **Overwrite existing management fee** field.
10. Check the **Add disclosure to cover page**, then click **OK**. The Billing Summary report will generate in a new window.

Exercise 6: Create a Billing Summary

1. Go to the **Client Management** tab.
2. Select the **Billing** page.
3. Click the **Custodian Fee File** icon.
4. In the new window, search for and select the **clients** for whom you generated fee data, then click **OK**.
5. Set the Start Date as **1/1/2012** and the End Date as **3/31/2012**.
6. Select the **Fee File format** (select your custodian or "Generic format" if your custodian is not listed)
7. Check the **Overwrite existing management fee data** field.
8. Check the **Deduct Other Fees From Custodian Accounts** field.
9. Click **OK**.
10. **Save** the fee file to your hard drive, and **upload** the file to your custodian's website (refer to your custodian's specifications).

Exercise 7: Generate a Custodian Fee File

1. Go to the **Home** tab.
2. Select the **Settings** page.
3. Under the Portfolio Accounting System Settings, click **Preferences**.
4. Click the **Exclude Securities** button to launch the Exclude Securities from Management Fee and Performance Calculations window.
5. Click the **Add** button.
6. In the Add Securities window, click the drop-down field at the top and scroll down to select **User Defined Cash**.
7. Click the **Go** button.
8. Select **Sample Cash** and click **Add**.
9. Click **OK**.
10. Click **Save + Close**.

**Exercise 8:
Excluding a Security
from Billing for all
Client Accounts**