Creating a Standard AssetMatch Proposal in Advisor Workstation 2.0

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Creating a Standard AssetMatch Proposal in Advisor Workstation 2.0

Overview

This manual explains how to create a Standard AssetMatch proposal in Advisor Workstation 2.0. The AssetMatch tool allows you to collect information on a client's risk tolerance, assign an asset allocation to a client and select a portfolio closely matching that asset allocation. You can also generate over a dozen reports for the client, including a comparison between their old portfolio and the one you are recommending, and a hypothetical illustration

☞ Information on understanding the reports generated by this application are available as interactive annotations from the Video Center widget in the Virtual Training Center.

What you will learn

In this training manual, you will learn how to do the following:

- Create a proposal with a client's existing holdings
- Add or remove securities from a proposal
- Save a proposal as a portfolio in Advisor Workstation
- Use your own model portfolio for a proposal in AssetMatch, and
- Change the order of the reports in the output PDF.

What is required in order to create an AssetMatch?

In order to launch the AssetMatch window where the proposal will be created, either a client or group record must exist. You do not need to create a portfolio for the client or group, unless you want to use that portfolio as a basis for the proposal, or to compare your recommended proposal to the client's (or group's) existing portfolio.

Creating a Standard AssetMatch Proposal

Overview

This section explains how to create a Standard AssetMatch proposal using a portfolio already entered in Advisor Workstation. In this scenario, we'll look at the Davis Family, a couple in their early 50s, who have a brokerage account worth $300,000.

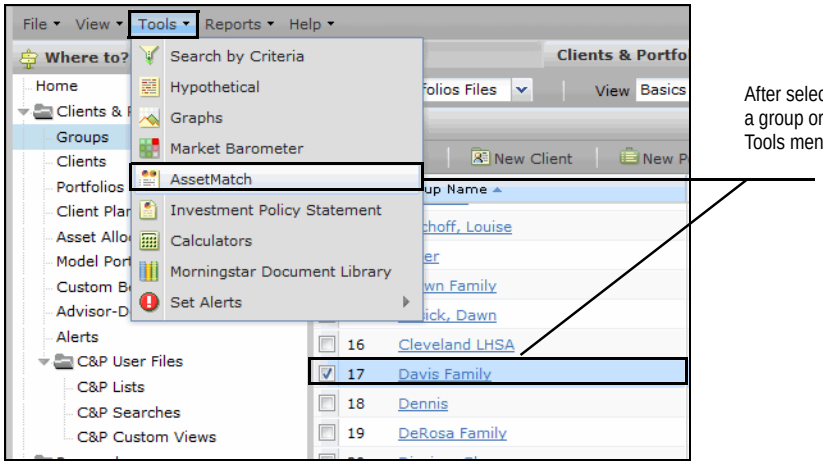
> ☞ It is also possible to create a Quick AssetMatch proposal. With a Quick proposal, you cannot use a group's or client's holdings, but rather just a set investment amount. Additionally, you cannot include a hypothetical illustration with a Quick proposal.

How do I create an AssetMatch proposal?

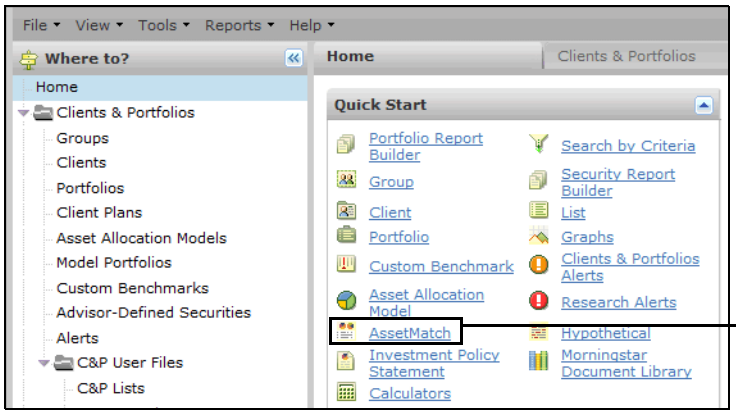
To create an AssetMatch proposal, do the following:

1. From the Groups (or Clients) page in the Clients & Portfolios module, make sure you have the correct **group (or client) record** selected.
2. From the menu bar, select **Tools**…**AssetMatch**. The Proposal window opens. The group's (or client's) account data has been entered automatically.

> ☞ You can also launch AssetMatch from the Quick Start widget on the Home page.

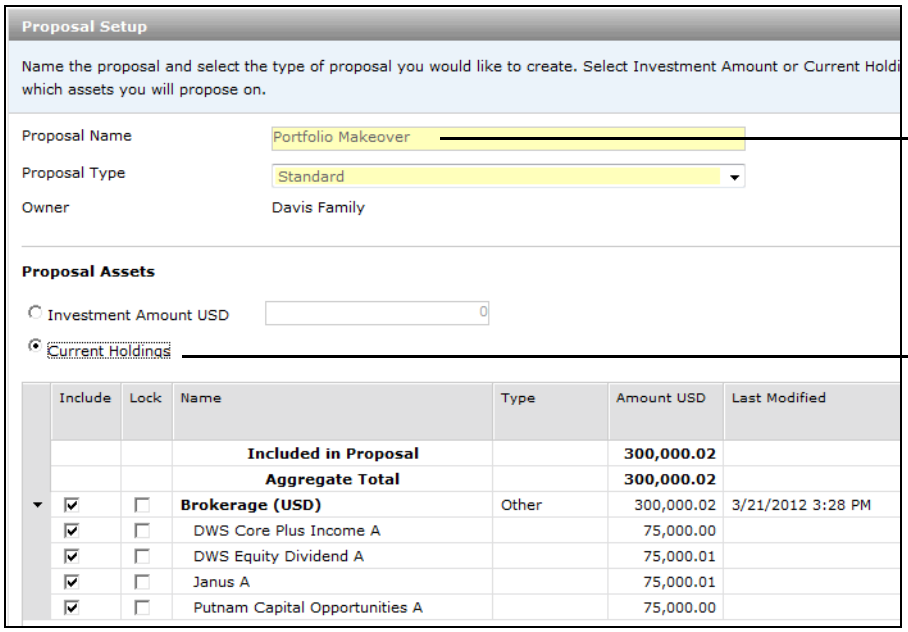


After selecting the name of a group or client, go to the Tools menu and select AssetMatch



You can also launch the tool from the Quick Start widget on the Home page

3. In the Proposal Name field, type a **name** for the proposal, such as **Portfolio Makeover**.
4. From the **Proposal Type** drop-down field, select **Standard**.
5. In the Proposal Assets section, select the option button for **Current Holdings**. You can deselect any portfolio or security you do not want to include in the proposal.



Type a name for the proposal here

To use a client's current holdings, be sure this option button is selected

6. Click **Next** (in the bottom right corner of the Proposal window) to go to the Asset Allocation step.

☞ Note: You can click Save at any point in creating the proposal. Saved proposals can be found on the Client Plans page in the Clients & Portfolios module of Advisor Workstation.

Determining the Risk and Suitability for a Proposal

Overview

This section explains how to use the Risk and Suitability section, where you will walk the client through a risk tolerance questionnaire and determine a risk profile for a client. The Risk Questionnaire in Portfolio Builder consists of nine questions related to the client's opinion of the following:

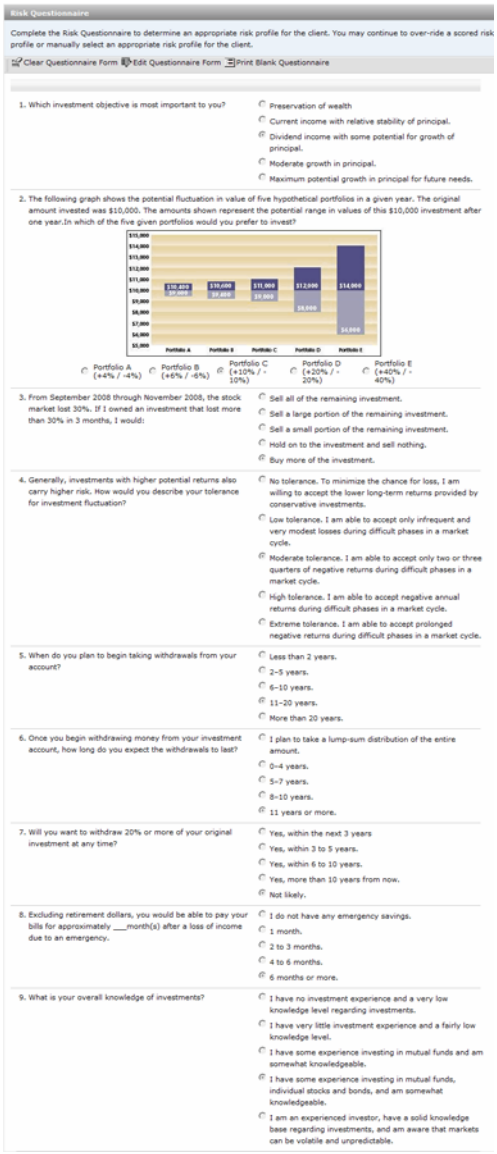
- time horizon for investing
- long-term risk tolerance
- short-term risk tolerance,
- withdrawal expectations, and
- financial acumen.

The next page contains a sample Risk Questionnaire that has been filled out. Keep in mind that there is an icon (**Print Blank Questionnaire**) at the top of this step which allows you to give clients a blank copy of the questionnaire to read over.

How do I use the Risk Questionnaire?

To use the Risk Questionnaire, do the following:

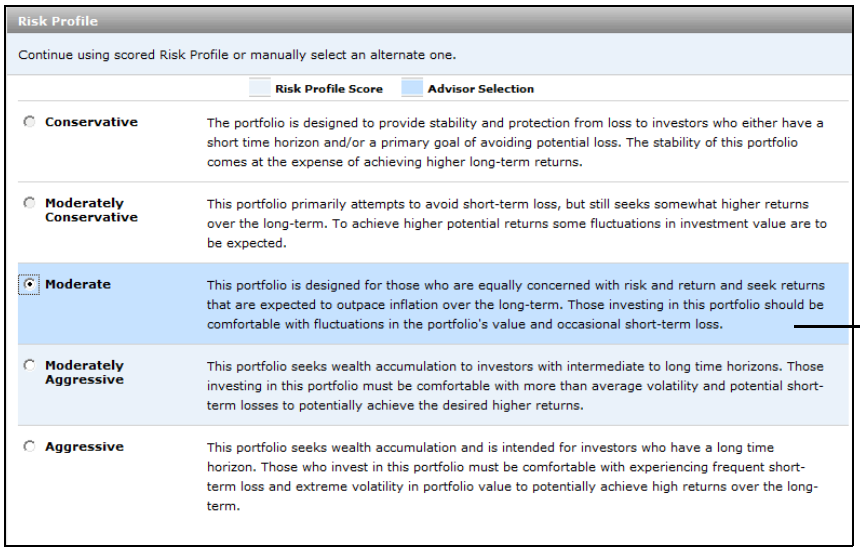
1. Click once to select an **answer** for each question. For this example, I will use the following answers:

Question	Answer Selected	Risk Questionnaire Result
1	Dividend income with some potential for growth of principal.	
2	Portfolio C (+10% / -10%)	
3	Buy more of the investment.	
4	Moderate tolerance. I am able to accept only two or three quarters of negative returns during difficult phases in a market cycle.	
5	11–20 years.	
6	11 years or more.	
7	Not likely.	
8	6 months or more.	
9	I have some experience investing in mutual funds, individual stocks and bonds, and am somewhat knowledgeable.	

2. Click **Next** to go to the Risk Profile Step.

Understanding the Risk Profile step

On the Risk Profile step, a selection will automatically be made based on the answers from the risk questionnaire. You should review the assigned Risk Profile with the clients, and determine whether they are comfortable with it.



If you overwrite the result of the Risk Questionnaire, your selection will be highlighted in a new color

If the client is uncomfortable with the Risk Profile, you can take one of two actions:

- Click **Back** to return to the Risk Questionnaire and update the answers, or
- Select an adjacent Risk Profile. For example if the system assigns a client to the Moderate risk profile, you could select either Moderately Aggressive or Moderately Conservative instead. (You would not be able to select Conservative or Aggressive as a risk profile in this case.)

When you are finished with this step, click **Next** to continue.

Reviewing the Asset Allocation

Overview

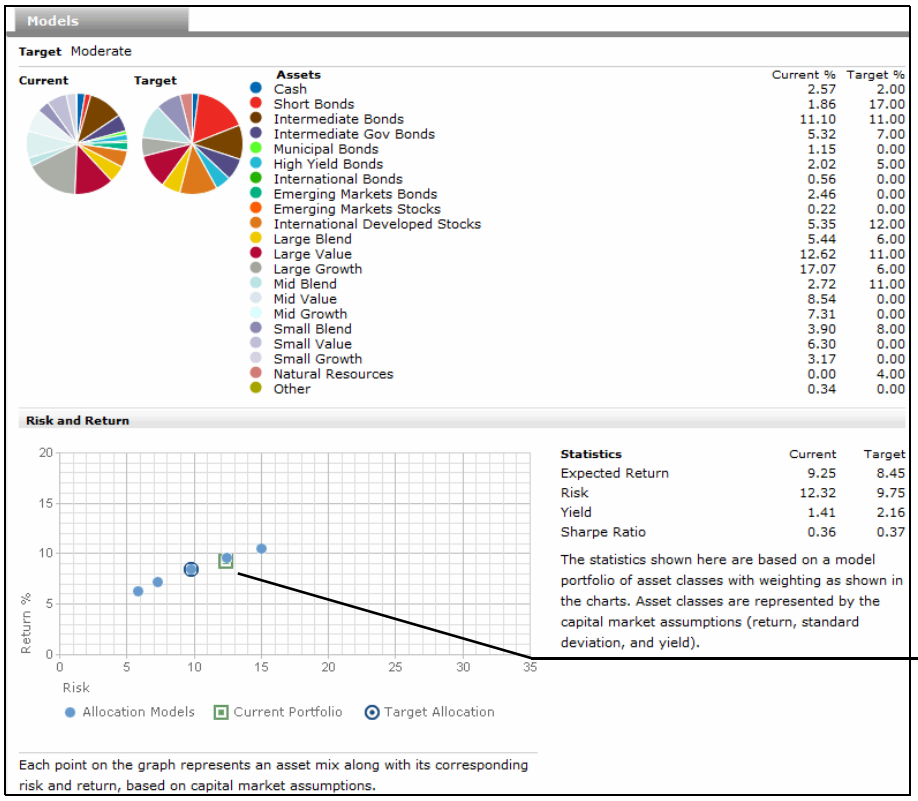
This section explains the details presented on the Asset Allocation step, and how to use the different tabs when creating a proposal.

No action needs to be taken on the Models tab; this information is presented simply to help the clients understand the risk/return they are taking with the proposal.

Understanding the Models tab

When reviewing the Models tab with a client, note the following:

- The client's Target allocation is shown at the top of the screen, as well as the pie chart for the client's Current allocation.



Compare the current allocation to the target

The Target Allocation is to the left and below the Current Portfolio, which indicates the client will be taking on less risk, and earning a lower return

- In the Risk and Return area at the bottom of the screen, the graph has the client's Target Allocation circled. The Current Allocation is marked by a square.
- The Statistics table to the right shows the Expected Return, Risk and Sharpe Ratio for both the Current and Target allocations.

To move to the Investment Proposal page, click **Next**.

Selecting Investments for a Proposal

Overview

This section explains how to select investments for a proposal. In this section, you will learn the following:

- How to select a model
- How to include existing investments in a proposal
- How to add investments to a proposal
- How to save a proposal as a portfolio back to Advisor Workstation, and
- How to save a proposal as a model.

How do I select a model portfolio?

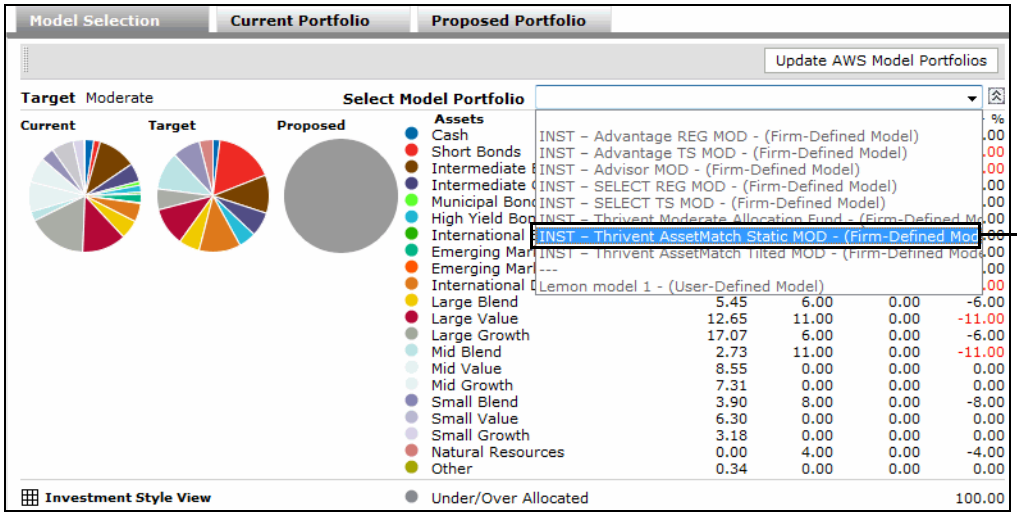
When you first land on the Investment Selection step, you will be on the Model Selection tab. Thrivent has provided a number of model portfolios for each risk profile type. Note that you will see only those models which match the risk profile selected for the client.

On the Model Selection tab, do the following:

1. Click the **Select Model Portfolio** drop-down field in the upper-right corner.
2. Click once to select a **model** for the client. The funds in the model automatically appear in the area at the bottom of the Model Selection tab, and the Proposed pie chart and column are updated as well.

   ☞ If you have created or adjusted model portfolios in Advisor Workstation, click the Update AWS Model Portfolios icon to see the latest versions of the models.

   Click the Investment Style View icon below the pie charts to see the breakdown of the model portfolio across the Equity and Fixed Income Style Boxes.



3. Click **Next** to move to the Current Portfolio tab.

How do I include existing investments in a proposal?

Using a client's current holdings in a proposed portfolio is optional. If you do not intend to use any of the client's current holdings, you can click **Next** to skip this step.

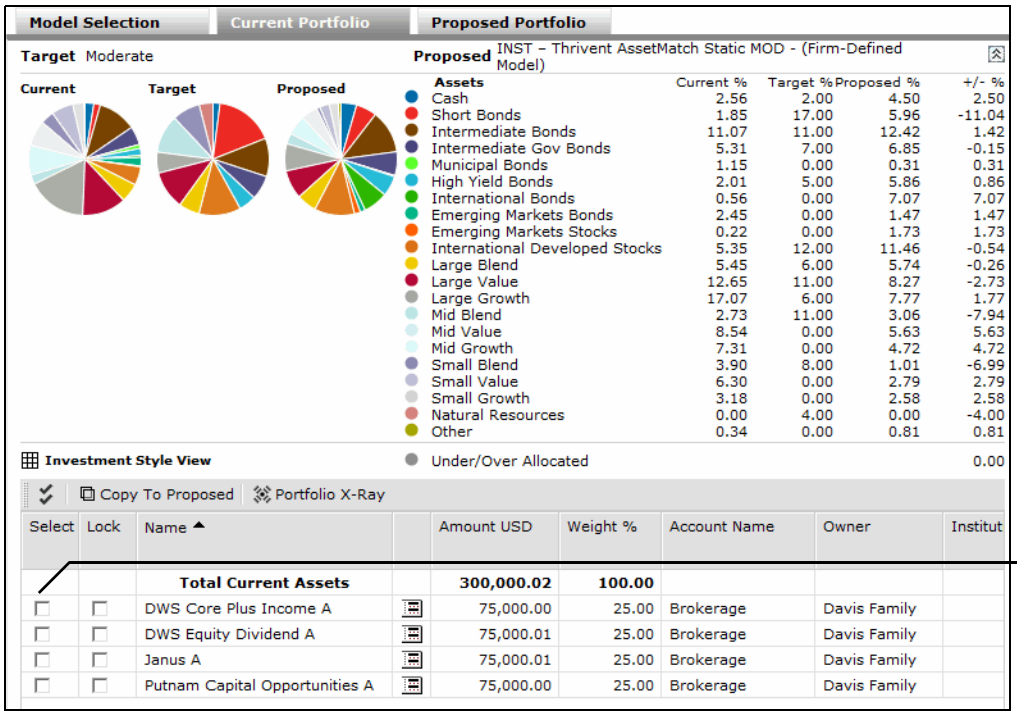
If you will be using at least one of the client's holdings, do the following on the Current Portfolio tab:

1. Click the **check box** next to the item(s) you want to include in the proposal.

   ☞ If you check the Lock box for a security, you will not be able to delete it from the proposal, but you can still change its value on the Proposed Portfolio tab.

2. Click the **Copy to Proposed** button once. The screen will refresh, and the box(es) you have checked will be cleared.

   ☞ Click the Portfolio X-Ray icon to see the Portfolio X-Ray Report for the current portfolio in a new window.



Check the box next to an item's name and click Copy To Proposed to include it in the proposal

3. Click **Next** to go to the Proposed Portfolio tab.

How do I use the Proposed Portfolio tab?

The Proposed Portfolio tab allows you to review and change the allocation to the holdings in a proposal. You can also preview a Portfolio X-Ray Report for the proposed portfolio, and elect to view a Fund vs. Fund report for any two mutual funds in the portfolio.

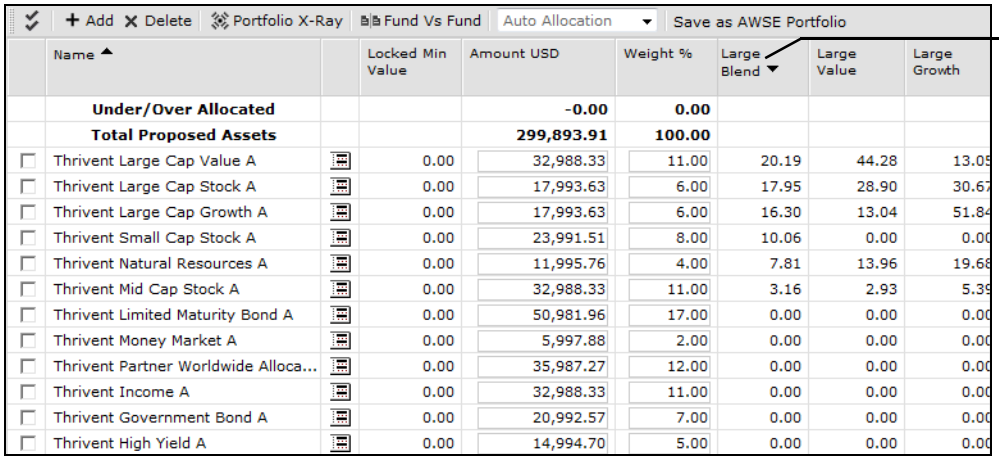
You can add or remove holdings from a proposal on this tab, and you can save the portfolio back to Advisor Workstation as well.

☞ For more information on saving a portfolio to Advisor Workstation, including how to save a proposal as a model, see page 18.

If you feel no changes need to be made, simply click **Next** to go to the Hypothetical Illustration step.

To change the allocation for a portfolio, you can type a value in either the **Amount USD** or **Weight %** field. Note the following important points about making changes on the Proposed Portfolio tab:

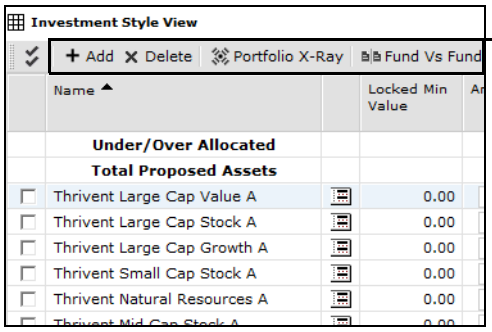
- The Weight % for the proposed portfolio must always equal 100% of the Total Proposed Assets. That is, every dollar must be accounted for.
- To determine which funds should have dollars added or removed, scroll to the right. You will see an asset allocation breakdown for the funds in the grid area. You can also click the name of a column header to sort on that column. These actions will help guide your decisions on what to add to and what to remove from.



Click once on a column's header to sort in ascending or descending order

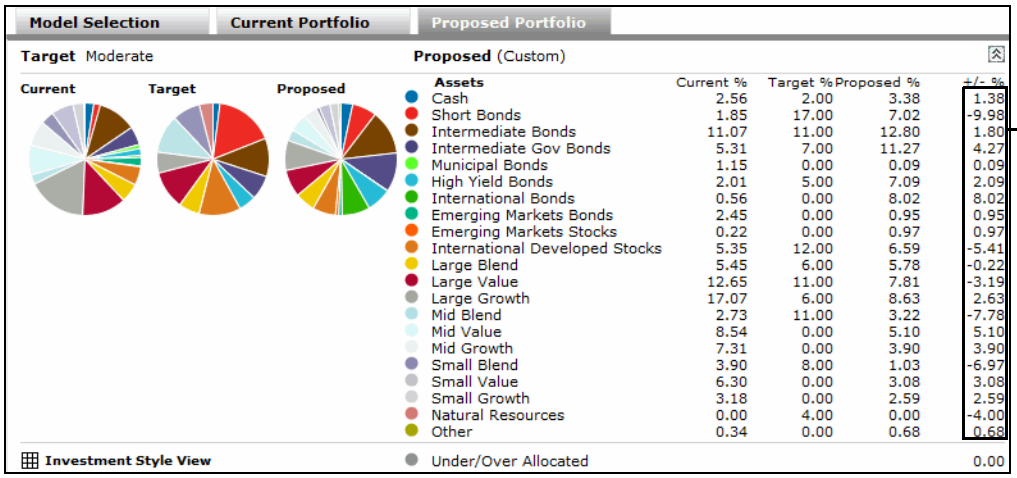
- You can use the Investment Min USD field to enter a minimum amount to be invested in a holdings. This way, you don't end up allocation $500 to a fund with a $2,500 minimum investment amount.
- The icon to the right of a holdings name launches a Quicktake Report in a new window. This provides detailed information about a holding.

- You can delete a holding by checking the box next to the holding's name, then clicking the **X Delete** icon above the grid area. Note that this could entail reallocating the other holdings to 100%.



Use these icons to add or remove holdings to/from a proposal, or to see a Portfolio X-Ray Report or Fund vs. Fund report for two mutual funds in the proposal

- You can add a holding by clicking the **+ Add** icon. The Find Securities window opens, which allows you to select a data universe and find items by name, ticker or by selecting certain criteria. See page 16 for more information.
- If you customize a proposal's allocation and the amount allocated to an asset classes is off by more than 10% compared to the Proposed %, it will be flagged in red and you will see a warning message when you click Next.



If the values in this column vary by more than 10%, the number will be flagged in red

Including a Hypothetical Illustration with a Proposal

Overview

This section explains how to use the functionality available on the Hypothetical Illustration page.

A hypothetical illustration shows you a backwards-looking performance of a portfolio. This is based on actual returns, and can include the impact of taxes, dividends, capital gains, and subsequent contributions to the portfolio.

If you do not want to include a hypothetical illustration as part of your proposal, you do not need to do anything on this step. You can simply click **Next** to go to the Settings page. While there, be sure the box for Hypothetical Illustration is unchecked.

To learn how to use the settings on this page, read on.

Selecting an investment time period

The first step is to determine the time period for the hypothetical illustration. In other words, how far back do you want to look? The default value is to show returns as of the Earliest Common Date shared by all funds in the proposal. For instance, if a proposal has four funds, and three of them have an inception date of Jan. 1, 1988, and the fourth has an inception date of June 30, 2001, the Start Date for the hypothetical illustration will be June 30, 2001.

You can also elect to see returns from the trailing 1-, 3-, 5-, or 10-year periods.

The End Date for the hypothetical illustration will always be the previous month end.

Making subsequent investments or withdrawals

The value of the proposal is the initial investment for the hypothetical illustration. This value is not inflation adjusted. For instance, if a proposal is for $100,000 and you are looking at the trailing 10-year period, that amount is not adjusted downward for the value of $100,000 10 years ago.

You can elect to make either subsequent contributions to the portfolio, or take withdrawals from it. Withdrawals that you take from a proposal can be done either as a dollar amount, or a percentage of the proposal's value.

Note that the contribution or withdrawal will begin at the end of the first month after the Start Date, and will continue (with the frequency you select) until the most recent month end.

Do the following:

1. The Type field defaults to **Invest**. If you need to make a withdrawal, select either **Withdrawal** or **Withdrawal%**.
2. From the Amount field, type the **dollar amount** or **percentage** that will be invested or withdrawn.
3. From the **Frequency** field, select an option as to how often the investment or withdrawal will be made.
4. If you want to model what would happen if the client were to sell out of a position as of the most recent month end, select **Yes** from the Liquidate on End Date field. Otherwise, leave this field as No.

Handling reinvestment and rebalancing options

If you would like the client to reinvest the dividends and capital gains payouts from the investments in the proposal, you do not need to do anything, as the default setting is to have these items automatically reinvest.

If you would like to rebalance, click the **Rebalance** drop-down field and select the frequency with which you would like to rebalance the portfolio. It will be rebalanced to the original allocation for the proposal.

If you do not want to rebalance at all, select **None** from the Rebalance field.

Determining a fee for managing the portfolio

The fees you charge for managing a portfolio can be reflected in the Asset Based Fees area, the Sales Fees area, or both.

To use the Asset Based Fees area, do the following:

1. In the Annual Fee % field, type a **number** for the annual fee you will charge the client.
2. From the **Frequency** field, select how often this fee will be assessed throughout the year. For instance, if you charge a 1% annual fee and select Quarterly from the Frequency field, the client will be charged 25 basis points of the portfolio's value each quarter.
3. From the **Pay Fees** field, select whether the client will pay these fees either out of their own pocket, or by selling off shares within the portfolio.

> ☞ Note that if you charge an annual fee, such as for a wrap account, you might also need to set the Sales Fees area to use a custom charge of 0, rather than the standard loads. These will not automatically be omitted just because an asset-based fee is charged.

Note the following about using the Sales Fees area:

- If you are going to use the standard loads for the funds in a proposal, you do not need to change anything in the Sales Fees.
- You can charge a custom currency (i.e., dollar value) or custom percentage for the loads. Note that the system will take into account rights of accumulation automatically for the funds in the proposal. If the client has holdings in the fund family outside of the proposal, however, you must calculate this manually, and then use the Custom Percentage option to determine the actual load that should be charged.
- The default setting for the Apply Fees for Rebalancing field is Yes. This means that as shares of the funds are bought and sold to meet rebalancing requirements, the loads and redemption fees as you have entered them will be charged against the portfolio's value.

Setting the report options for the hypothetical illustration

The last item you need to set for a hypothetical illustration is the frequency with which you want to see returns on the hypothetical illustration. The default value is to see returns on an annual basis, but you can instead choose to see returns on a monthly, quarterly or semi-annual basis.

When you are finished making adjustments, click **Next** to proceed.

Generating the Reports for a Proposal

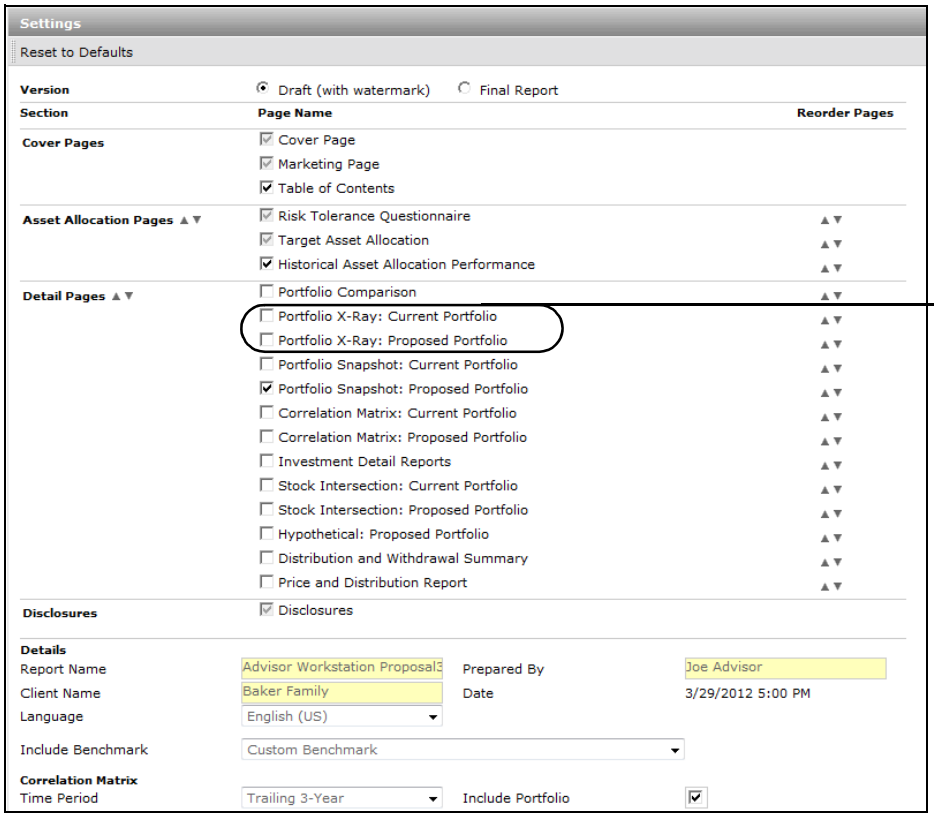
Overview

This section walks you through the process of generating the reports that can be included with a proposal for a client.

How do I select the report options?

To set the options for the reports, do the following:

1. From the Version section, select whether the reports will include a watermark indicating that it is a **Draft**, or whether it will be a **Final** version.
2. Check or uncheck the **box** next to each report you want to include.



Certain reports can be included for both the Current and Proposed portfolios

3. At the bottom of the Settings page, you can update the following fields:
   - Report Name (the title for the proposal that appears on the cover page)
   - Client Name
   - Prepared By (your name, or your firm's name)
   - Benchmark (defaults to a custom blended benchmark based on the Morningstar Category for the funds in the proposal, but you can select an individual index instead), and
   - The Time Period for the Correlation Matrix, as well as whether the portfolio should be included as an element in the matrix, too.
4. Click **Generate**. The reports appear as a PDF in a new window. The report is also saved in the **Archive** step.

   ☞ To see the reports again, you can simply click on the proposal name from the Archive step.

5. You can now click **Close**.

Using a Model Portfolio for a Proposal

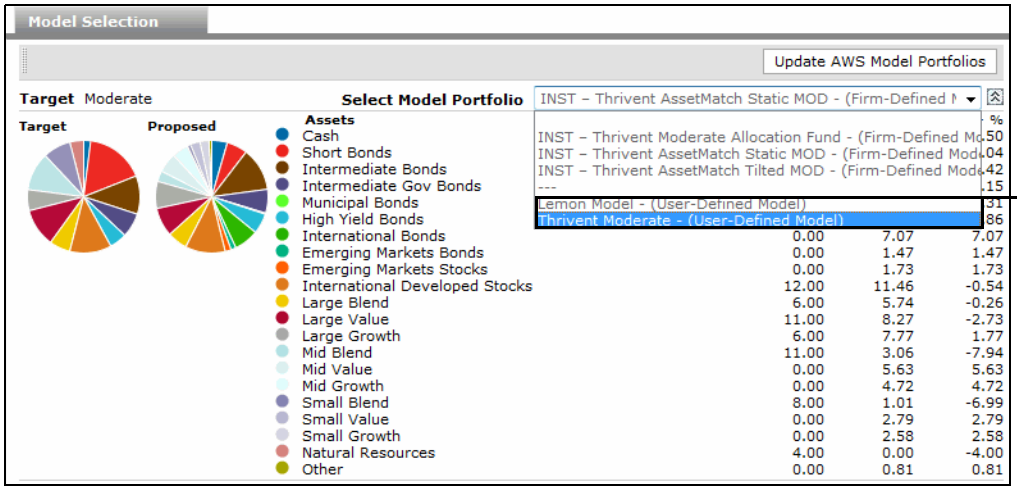
Overview

This section leads you through how to use an existing model portfolio for a proposal. Note that the model portfolio must already have been created in Advisor Workstation.

Selecting a model portfolio

If you have saved a model portfolio, you can use it when you get to the Investment Selection step. To use a model portfolio, do the following:

1. From the Model Selection tab, click the **Select Model Portfolio** drop-down field in the upper right corner
2. Select one of the **user-defined models**.



Choose a custom model from this drop-down list

3. Click **Next** to continue.

Tips and Tricks

Overview

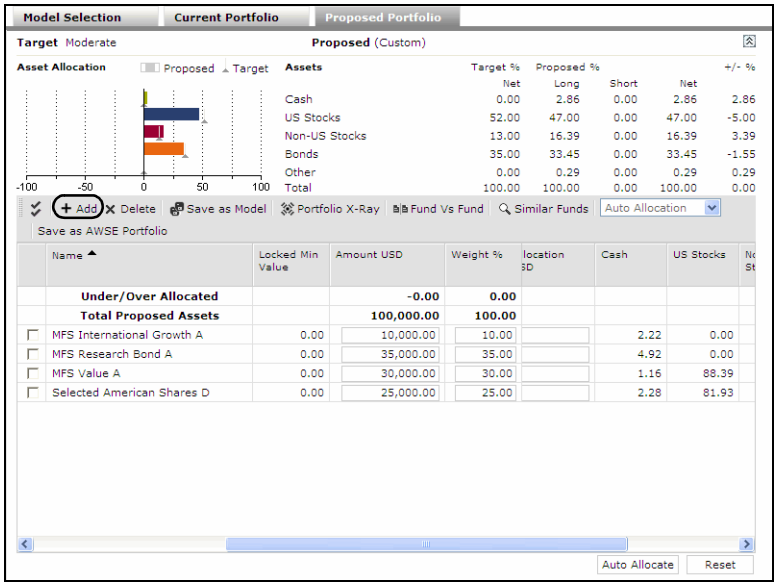
This section explains three advanced features of the AssetMatch window. You will learn how to do the following:

- Add investments to a portfolio
- Save a proposal as a portfolio in Advisor Workstation, and
- Change the order of the reports in the output PDF.

How do I add investments to a proposal?

If you need to add investments (such as a stock) to a proposal, do the following:

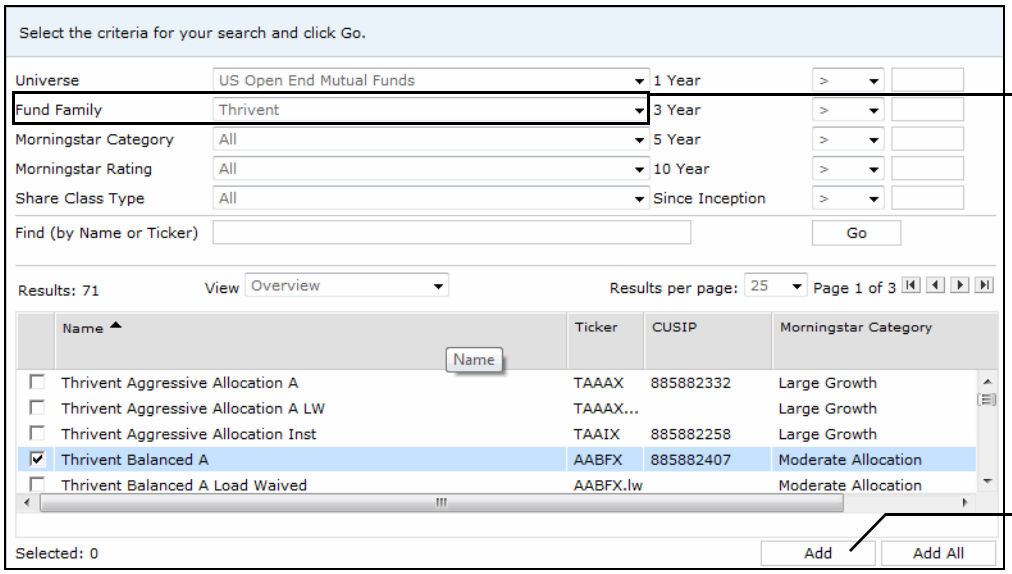
1. On the Proposed Portfolio tab, click the **Add** button. The Find Securities window opens.



To add investments to a proposal, click the circled button

2. You can look for securities by **name** or **ticker** symbol, or by selecting **criteria** at the top of the window.

   ☞ If you have created lists of investments in Advisor Workstation's Research module, these are available from the Universe drop-down field at the top of the window.



3. After entering a name, ticker symbol or criteria, click **Go**.

   ☞ You can also wait for the suggest search feature to recommend a match, then click once on an item or press <ENTER> to select it.

4. Check the **box** next to the name(s) of the item(s) you want to include, then click **Add**. To use all items that appear in the results area, you can click the **Add All** button without first selecting individual items.
5. When all securities have been added, click **OK** to close the Find Securities window.
6. The next step is to allocate funds to the securities that are now part of the proposal. You can manually enter **dollar amounts** in the Amount USD column, or **percentages** in the Weight % field.

   ☞ When manually allocating funds, you can scroll to the right to see the asset breakdown for each security. This will aid you in determining how to best match the target allocation.

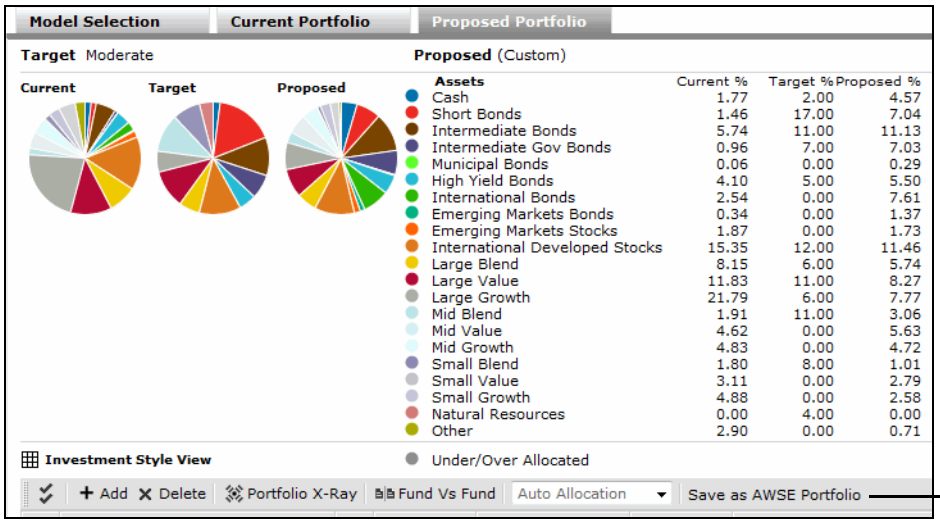
How do I save a proposal as a portfolio in Advisor Workstation?

You can save a proposal from the AssetMatch window back to Advisor Workstation as a portfolio. Keep in mind the following important points:

- The portfolio will be saved to the client or group for whom you created the AssetMatch proposal.
- If you want to save any changes you've made to a proposal as your own model proposal to be used in future AssetMatch proposals, you can do that, but it is a two-step process. First, save the portfolio as described in the steps below. Then, open the portfolio in Advisor Workstation and use the Save As command to save it as a model portfolio. The next time you create an AssetMatch proposal, be sure to click the Update AWS Model Portfolios icon on the Model Portfolios tab of the Investment Selection page to pull in this new model portfolio.

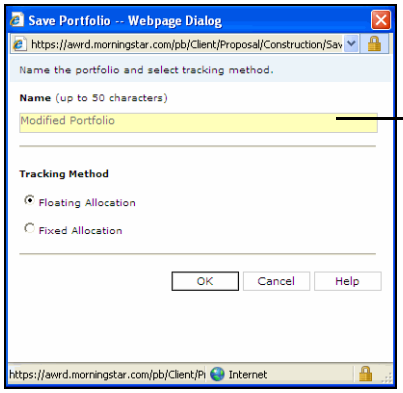
To include a proposed portfolio as a portfolio back in Advisor Workstation, do the following:

1. On the Proposed Portfolio tab, click the **Save as AWSE Portfolio** button.The Save Portfolio dialog box opens.



Click this button to save the proposal as a portfolio in Advisor Workstation

2. Enter a **name** for the portfolio.
3. Select whether the portfolio should have a **Fixed** or **Floating** allocation. That is, should the value remain constant (Fixed), or do you want it to change with the market (Floating)?



Enter a name for the portfolio here

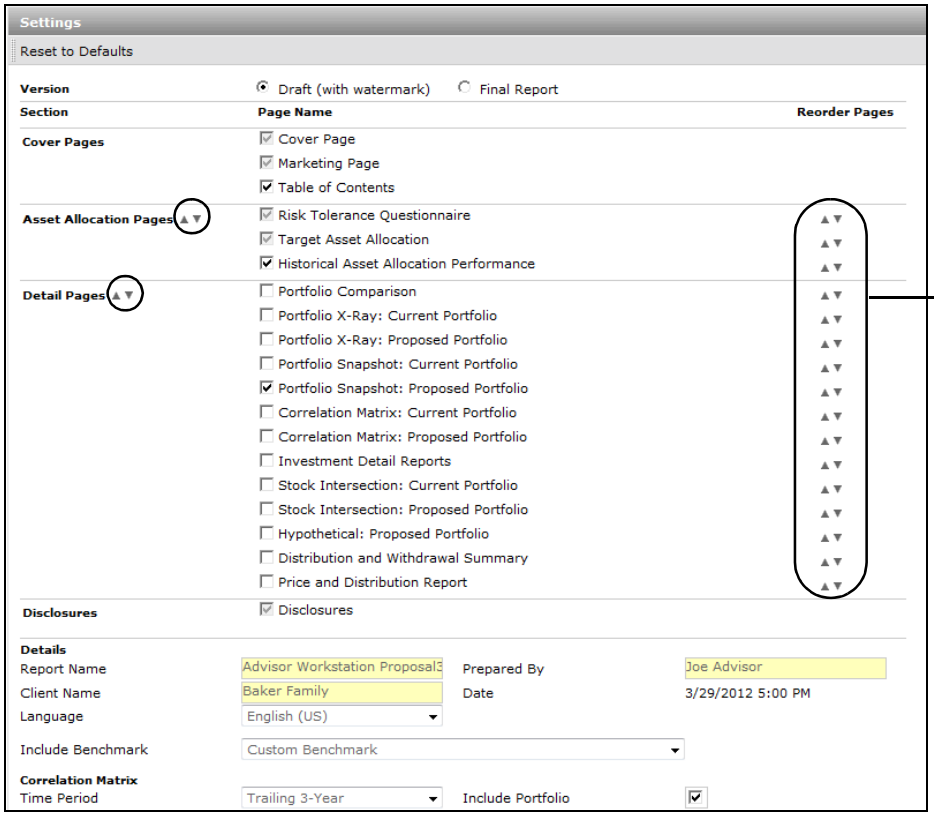
4. Click **OK**. The portfolio will now appear in Advisor Workstation under the client's record.

How do I change the order of the reports in output PDF?

You can rearrange the order in which the reports appear in the output PDF. For example, you can have the Detail Page reports (Portfolio Comparison, Portfolio X-Ray, etc.) appear before the Asset Allocation Page reports (Risk Tolerance Questionnaire, Target Asset Allocation, etc.). Or, you can elect to re-order the reports within a section, such as having the Portfolio Comparison report appear after the Portfolio Snapshot reports.

To rearrange the order for the reports, do the following:

1. Go to the **Settings** page.
2. Click the **Up** or **Down** arrow icon to the right of a section (Asset Allocation Pages or Detail Pages) or the name of a report.



Use the circled arrows to change the order of reports

3. Continue to click the **Up** or **Down** arrow icons until the pages are set in the order you prefer.
4. Click **Save** at the bottom of the window.