



Citi Launches Unified Household Platform

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Citigroup¹ is aiming a new unified managed household technology platform squarely at wealth managers serving high-end investors. The company's **Global Transaction Services** division is unveiling its unified managed household (UMH) program today with its first client and a goal to reach wealth managers across the spectrum, from smaller independent advisors to large brokerages.

While the market for UMH services is still small, Citigroup adding its outsourcing heft to the space through its new OpenWealth platform could give the concept some new attention. The move also launches Citigroup into servicing for managed accounts program sponsors and distributors for the first time, building on the firm's existing outsourcing business for separately managed account (SMA) managers that supply products to the distributors. That business, OpenSMA, is sharing its key executives and programming staff with the new platform.

OpenWealth enables an advisor to manage across various client accounts among people in a single household and to report on their holdings held elsewhere. It is designed to accommodate taxable and non-taxable accounts, as well as multiple kinds of investments, and to allow personalized settings for clients.

The end users are wealthy and ultra-wealthy investors "who have a strong need for tax optimization and household wealth management," says **Andrew Clipper**, director and product manager for OpenWealth and OpenSMA. "That's where we see a lot of opportunity."

Clipper says the new platform is targeting brokerages, bank trusts, independent registered investment advisors (RIAs), and multi-family offices. OpenWealth's first client, **TIAA-CREF**², a retirement services provider with a broker-dealer arm, is already live.

While the UMH is likely to have traction at high-end wealth managers, various multi-family offices and larger organizations have built or acquired their own UMH capabilities, says **John Shields**, a principal in Portsmouth, N.H., for **MainStay Consulting Group**³. He says the RIA market, especially the big-dollar advisors who leave wirehouse brokerages to form independent shops, are "a good target market for Citi. [T]hese folks need a lot of help when it comes to setting up the business infrastructure."

The UMH concept is often described as the logical extension of the unified managed account (UMA), which consolidates various investment vehicles – such as SMAs, mutual funds, and exchange-traded funds – into a single custodial account, supplemented by an overlay management process to optimize the portfolio for taxes and client preferences. UMA programs had been growing rapidly prior to the market crash last year, and since then appear to be holding up better than other managed account platforms in terms of asset levels.

The UMH essentially stretches the UMA's umbrella over accounts and investments belonging to multiple people within a single household in order to actively manage – or allocate around – all of the holdings, and thereby cover the entire portfolio



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with an overarching strategy. It is intended to consider a broad swath of investments, from college savings accounts and IRAs to investment products and even real estate.

But some market observers say the UMH is a different animal because it requires far greater specialization for each client. They say that while sponsors can offer a UMA at almost any client level, the more complicated UMH is better suited to sponsors that want to “deepen” relationships with rich clients.

That ability to encourage greater client contact should make the UMH attractive to wealth managers, says **Jack O’Hara**, a former sales executive in Philadelphia for various technology firms in the managed accounts market, who also started out as a financial advisor. “If this product encourages an extension of the dialogue we’re already having, it could be a tool to attract more client assets,” he adds.

Citigroup is positioning its new platform as a way to largely automate the UMH process. But as a technology platform, it is limited by the inputs from sponsor firms that use it to manage their client accounts. If a sponsor has broad oversight over a client’s assets and access to information about the assets held away, the new system can be very useful. But if it has limited data, the system is less effective.

“If you’re going to manage a household of assets, you need to have control over the assets to optimize the accounts, and visibility of the assets to report on it,” Clipper says.

To date, UMH-style programs are limited because most clients don’t consolidate a significant percentage of their assets with one advisor, hampering the ability to meaningfully manage the accounts, MainStay’s Shields says. And reporting on assets held elsewhere is easier said than done, because of complexities in automating the gathering of asset data from other providers, even in cases when client provides access to their account information at other firms, he adds.

“If you only have half of the assets or a third of the assets, and you’re trying to do this holistic asset allocation, it’s self-defeating,” Shields says. “And if you have to manually correct the data gathering, it’s [a big problem]. The whole goal is to make [the UMH process] as people-free as possible to drive down the costs and improve your margins.”

Citigroup’s platform will charge an asset-based fee to its sponsor and advisor clients, and will be offered as a modular suite of services. The core ones are portfolio accounting, trade management, and reconciliation functions, but the system also can incorporate proposal generation, overlay management, reporting, suitability testing, fee calculation, and automatic optimization within portfolios – a feature that assigns new assets to the account where it gets the best tax treatment. The system is customizable, allowing sponsors to “set the dials” for advisors to have more or less access to the features or to install checkpoints as desired.

Clipper says TIAA-CREF has signed on for the full package. TIAA-CREF has \$363 billion in client assets across a range of investment products and platforms, with a specialty in the higher education sector. It is unclear how much of the assets will be used on the system.

Citigroup built the platform with a combination of in-house and vendor-applied systems. Clipper says the company does not disclose the names of its vendors.

Several firms say they already offer UMH platforms or like services, but they come from different angles. Shields says **Vestmark**⁴, a back-office systems outsourcer based in Wakefield, Mass., runs UMH platforms for sponsor clients similar to Citigroup’s offering. Meanwhile, **Placemark Investments**⁵, an overlay management provider for UMA programs based in Wellesley, Mass., says it offers UMH-style account oversight as a third-party service for advisor clients, though only on directly managed client assets. And financial advisors at Atlanta-based **SunTrust Banks**⁶ now have access to UMH features to optimize tax management across internally managed client accounts through a software system from **LifeYield**⁷, a Boston company.

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