



CAPSTONE

Building Wealth, Controlling Risk

MANAGED ACCOUNTS VS. MUTUAL FUNDS A COMPARISON

THE CAPSTONE INSTITUTE

TAX-RELATED FEATURES	MUTUAL FUNDS	MANAGED ACCOUNTS
Separately Held Securities	No, investors own shares of a Fund, which, in turn, owns a diversified portfolio.	Yes, investors own securities in an account managed by their money managers. Cost basis of each security in portfolio is established at time of purchase for each client.
Customized to Control Taxes	No, most funds are managed for pre-tax returns, and investors pay a proportionate share of taxes on capital gains.	Yes, investors can instruct money managers to take gains or losses as available to manage their tax liability.
Tax Efficient Handling of Low Cost Basis Costs	No, stocks cannot be held in an investor's mutual fund account, so there is no opportunity to manage low cost basis stocks.	Yes, the handling of low cost basis stocks can be customized to the client's situation, liquidating in concert with offsetting losses, etc.
Gain/Loss Distribution	Virtually all gains must be distributed, losses cannot be distributed.	Realized gains and losses are reported in the year taken, and the timing of those gains is customized per the clients' needs.

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GENERAL FEATURES	MUTUAL FUNDS	MANAGED ACCOUNTS
Access to Professional Money Managers	Yes	Yes
Diversified	Yes	Yes
Ability to Customize Portfolio	No	Yes, investors can restrict specific securities from their portfolios
Manager Independence from the “Herd Instinct”	No, if clients want to redeem shares, fund managers must sell to raise the cash to do so.	Yes, money managers can buy when the herd is selling and vice versa, customizing the decision to the client’s objectives.
Unlimited Withdrawals/Redemptions	No, most funds have restrictions	Yes
Typical Account Minimum	\$1,000	Varying minimums, but \$100,000 is common
Liquidity	Typically, next day	Three-day settlement of trades
Access to Asset Classes	Numerous	Numerous

PERFORMANCE REPORTING FEATURES	MUTUAL FUNDS	MANAGED ACCOUNTS
Performance Reporting	Typically, semi-annual	Quarterly performance or customized schedule
Customized Performance Reporting	No, investors must calculate their own performance, which is problematic, particularly for investors who dollar cost average.	Yes, automatically sent to investors every quarter, includes performance of individual portfolios.