



Individually Managed Accounts vs. Mutual Funds

Understanding the Differences

Managed Accounts

Mutual Funds

Minimum investment typically \$100,000

Invest \$100,000

Invest \$100,000

Minimum investment can be as low as \$50

Account can be funded with securities

Funds go into investors own account

Funds are used to purchase units of the fund

Can only be funded with cash

Tiered fee schedule allows for lower fee on larger accounts

Account turned over for selected money manager to begin investing

Money goes into mutual fund pool and is commingled with other investors assets

Typically all investors pay the same expense ratio

Investors can restrict specific securities from their portfolio for ethical considerations or to avoid overlap with other holdings

Manager buys shares of companies on investor's behalf

Manager uses money in pool to purchase shares of companies on behalf of all unitholders

Restrictions are not possible

Must redeem units to change money manager

Can transfer securities to change money manager

Investor owns shares of various companies in portfolio

Investor owns units of mutual fund

Customized performance reporting not usually available for funds

Customized performance reporting is provided

Cost basis of each stock is established at time of purchase. Investor can instruct manager to realized gain or losses for tax planning purposes. Also allows for significant flexibility in controlling tax exposure.

Cost basis of stocks are established at original date of purchase, resulting in potential gains for clients who did not participate from initial purchase date. Unitholders generally cannot control their exposure to incurring tax liabilities.