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Newsletter for Financial Advisors

Inside this issue:

**Financial DNA—Part I** 1-6  
*by David J. Drucker*

**TD Ameritrade Portfolio Rebalancing Tool** 7-15  
*by Joel P. Bruckenstein*

**Conference Sightings** 16

**What We Use—Google Toolbar** 17-19  
*by Joel P. Bruckenstein*

**Q&A with Joel and Dave** 20

**Guest Columnist: Steven Ryder, WAN Strategies, LLC** 21-23

**Letter From the Editor** Last Page

**Financial DNA—Part I** *by David J. Drucker*

Financial DNA Resources is a tough business to get a handle on — at first.

I had heard it was one of those firms offering advisors a risk assessment tool. We've all experimented with these... our clients take a 20-question multiple choice test and we dub them "risk avoiders" or "risk obsessives" or some such thing so we can build them a better portfolio. What I wasn't prepared for was the breadth and depth of the [Financial DNA©](#) process, which is why I will be devoting two columns to this application service provider.

This company bills its service as a "wealth mentoring process" employing the "Financial DNA Discovery Process." This Process contains three stages. The first is a combination of "Path 4 and 6 Profiles," or a summarization of the subject's key "hard-wired" behavioral traits.

The second part is the "Financial Directions Appraisal," which indicates the subject's learned financial behavior, in contrast to the "predicted natural behavior" uncovered in the first part of the Process. In this second step, 63 areas of behavior are measured and the advisor finds out what his client's financial preferences are, which may be different from what his hard-wired (Path 4/6) behavior would indicate.

The third step is the "CompleteINSIGHT Appraisal," a process of more accurately envisioning life goals using the foundation provided by the first two parts. Says Hugh Massie, Financial DNA's founder, "This is getting to know what a client's purpose, passions and values are, which makes it easier to prioritize his goals."

The authority with which Financial DNA Resources backs up its Discovery Process is its people. Massie has logged time with Arthur Andersen, in its Sydney, Singapore and Bangkok offices; he is the Director of International Operations of RightPath Resources, Inc., a U.S. company providing leadership, people development and hiring solutions; and he is President of Coddington Group which he founded in Sydney, a company





### A Live Voice on the Other End

As we've profiled services like [GotVMail](#) and its counterparts over the years, we are continually asked for referrals to live, not technology-based, phone answering services.

Advisors ask whether virtual assistants, for example, will answer their phones for them as part of what they do. And while some may do this, it's rare; most virtual assistants are juggling dozens of tasks for dozens of clients and don't have the time to answer phones (not even their own, in many cases).

Finally, though, a service has emerged that we can recommend.

Continued...

## Financial DNA—Part I... *Continued*



Hugh Massie

that initially engaged in financial planning and investment services and now provides advisory and mentoring services to individuals and businesses in a way that blends a human behavior focus with practical financial and business solutions.

Massie's partners in the U.S., Australia and Canada represent a wide range of experience and qualifications including financial and management consulting, leadership coaching, personnel staffing, financial analysis, banking, international capital, brokerage, and accounting.

It is the depth of the Financial DNA Discovery Process that distinguishes it from simpler risk-only assessment tools. "We're looking at the life behavior of the whole person," says Massie, "not just risk."

For a better understanding of Financial DNA, compare it to a typical risk assessment tool like [Finametrica](#), which I've given positive reviews in the past. Says Massie, "I could see an advisor using both our tool *and* Finametrica because they're so totally different. Some think Financial DNA is a "high-end" version of Finametrica because of its comprehensive nature, but Massie says he has advisors using the Discovery Process with the middle market, as well.

Part 1 of the Process — the Path 4 and 6 Profiles — will be particularly valuable to the advisor who wants to predict his client's behavior under stress. Most of us have had the experience of using some type of risk assessment tool to gauge what we think is a client's risk tolerance in order to construct a portfolio for her that meets her long-term return requirements without exceeding her appetite for risk — only to find out in an extended bear market that her true reaction to sliding equity values is much less tolerant than we expected.

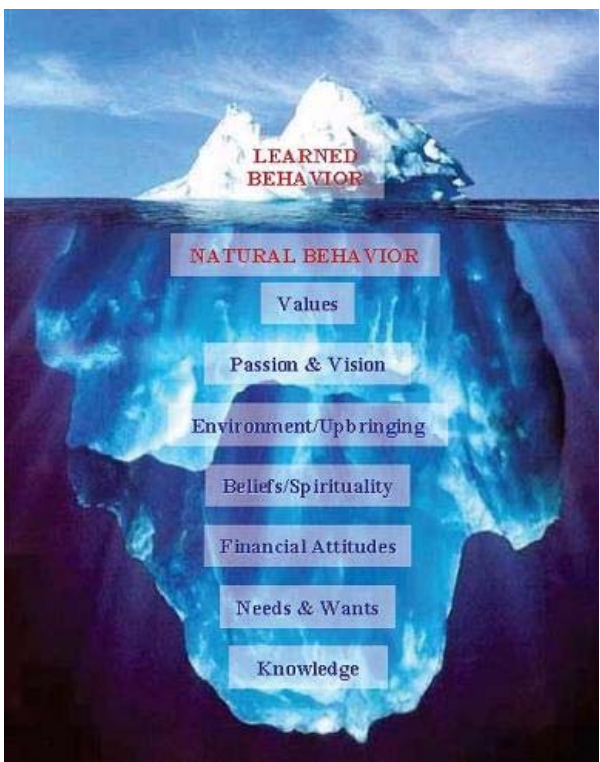
"A camel cannot see its own humps," says Massie. "We must find out where the client's go-to point is under pressure when learned behaviors go out the window. That's when the client reverts to his 'hard-wired' behavior." If we can accurately measure that hard-wired behavior, he says, we can do a better job for our clients, not to mention avoid the client's hysteria when things aren't going his way.

The problem is... a client's natural behaviors don't always reveal themselves initially. These are the behaviors shaped during the first three years of a person's life, says Massie. Learned behaviors and education

# Financial DNA—Part I... *Continued*

are important, too, he says, but if you coach a client to understand what risk is about and build a portfolio based on that understanding, you could ultimately do the client a disservice. A client's "financial personality," says Massie, is driven by his natural — not learned — behavior (see Figure 1).

Figure 1



So the Path 4 and 6 Profiles are designed to uncover one's natural behavior, not just their "risk profile." I took Parts 4 and 6 myself, to give me a better idea of how they work. (You can see my Path 4 Profile [here](#)).

This is how the typical advisor would use these profiles, i.e., do his own first, and then, those of his clients. "Most clients enjoy doing this," says Massie. "You don't have to be a psychologist; clients just like to be understood." As Financial DNA Resources does training with

advisors, they can show an advisor how to get his clients to talk if that's an area the advisors needs help with.

But let's explore the Path 4 output and see what we find. Part 4 measures and graphs an individual's position on four spectrums defined as 1) Accommodating vs. Directing ("Control and Agenda"), 2) Reserved vs. Engaging ("Interaction"), 3) Objective vs. Harmonious ("Conflict and Pace") and 4) Spontaneous vs. Methodical ("Order and Detail").

Each person fits one of 16 Path 4 profiles. (The more profiles, the better the fit). My profile is the "Strategic Thinker," the same as Massie's. The structure of the Path 4 report tells you what you need to know about yourself and how to interact with people (clients) who are different from you. For example, my report tells me my "Typical Strengths" are that I'm goal-oriented, precise, analytical, assertive, confident, prepared, and I insist on quality results. It also lists my "Typical Struggles" as sometimes coming across as rigid, critical and judgmental (me?).



## A Live Voice on the Other End (cont'd)

[Ruby Receptionists](#) is now being used by Securities America, as reported in March by *Investment News*. According to one Securities America contact, "These are not just surly message-takers; they are outgoing-type people who will try to hunt you down."

Ruby's services cost \$159/month for 100 receptionist minutes available to your entire advisory practice. You can also buy plans with more minutes or you can have Ruby create a custom plan, if desired.

Check them out online or give them a call at 866-611-RUBY.

## Financial DNA—Part I... *Continued*

Don't forget to access the VON Virtual Resource List frequently! We are constantly updating the List with new entries. You will find the link to the List re-printed each month in the body of the email you receive giving you the link to the latest issue of VON.

This gets fine-tuned further as we proceed through the report and find a section entitled "Strategic Thinkers in the Financial and Business Advisory Process" listing my:

- Approach to the financial advisory process
- Decision making style
- Investing style
- Financial goals
- Money management style
- Transaction and investment variety
- Financial fears
- Research style
- Measure of success
- Self awareness
- Stress
- Preferred relationship with advisors
- Required style of financial advisor
- Communication style
- Disposition to trust

This is very helpful information to have on a new (or existing) client. I could see it expediting the relationship building process tremendously by helping the advisor avoid problems (e.g., mismatched communication styles) and allowing the advisor to take advantage of bonding opportunities (e.g., with information divulged in Required Style of Financial Advisor).

So, if I was your client — a Strategic Thinker — you would learn that I am primarily oriented towards goals and tasks and prefer having ample time to think through and focus on the transaction at hand. However, I am capable of collaborating with you and others if that's what's necessary to produce results. I do require comprehensive detail, so make sure your recommendations are backed up by quality research.

Each of the 16 profiles is different in regard to "Required Style of Financial Advisor" which is, in itself, just one type of information you receive on your client. Any advisor who's had problems with some of his clients will realize this is potentially valuable stuff. And those advisors who find they build relationships more easily can probably do so even faster with this kind of information.

An ancillary and useful tool Financial DNA gives you is the Advisor Client Matrix, which looks like this:

# Financial DNA—Part I... *Continued*

## Client

Advisor

	Administrator	Analyzer	Cautious Thinker	Deep Thinker	Detailist	Director	Driver	Encourager	Harmonizer	Motivator	Networker	Researcher	Strategic Thinker	Stylish Innovator	Supporter	Adapter
Administrator	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Analyzer	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Cautious Thinker	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Deep Thinker	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Detailist	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Director	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Driver	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Encourager	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Harmonizer	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Motivator	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Networker	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Researcher	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Strategic Thinker	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Stylish Innovator	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Supporter	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Adapter	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green

- Minimal modification required
- Some modification required
- Significant modification required



## IPS AdvisorPro

IPS AdvisorPro™, the long-awaited software from veteran financial advisors Norm Boone and Linda Lubitz, has just been released.

IPS AdvisorPro is a tool for online Investor Policy Statement creation and administration. Once you have customized the words and investment models to reflect your own practice, you or your staff will be able to produce in only a few minutes an IPS ready to use with your client.

To learn more about IPS AdvisorPro, visit [www.IPSAdvisorPro.com](http://www.IPSAdvisorPro.com).

Just find yourself on the left side of the matrix and look across it to see how naturally you're going to relate to different client profiles. As a Strategic Thinker, I will naturally relate easily to other Strategic Thinkers. However, I will need to significantly modify my approach to, say, a Harmonizer. Remember, on the Objective vs. Harmonious spectrum, I scored a 31. Says Massie, "anything less than 40 or more than 60 is considered a very strong predictor." When I get my client's report that shows he's a Harmonizer, I get the kinds of detail mentioned above that help me adapt my style to his profile...

...if I choose to. I always have the option of saying I'll only work with Analyzers, Drivers, Researchers, and other Strategic Thinkers — in other words — those profiles that require minimal or no modification to my style of thinking, behaving, and relationship building. "Eighty percent of success in life is around emotional intelligence, so that's what we're trying to discover about our clients," says Massie.

So how does the Path 6 Profile complement the Path 4 Profile? Massie says, "The Path 6 Profile is 'the goldmine;' if Path 4 is an X-ray, Path 6 is an MRI scan." In fact, in using these tools, you'll probably find yourself looking at Path 6 results and *then* reviewing Path 4 results (even though I've tackled them in the order in which I took the assessments).

Let's start by looking at my own Path 6 Profile [here](#). Similar to the Path 4 results, the Path 6 report tells us where I fall on six behavioral spectrums:

## Financial DNA—Part I... *Continued*

- Compliant vs. Dominant
- Introverted vs. Extroverted
- Detached vs. Compassionate
- Unstructured vs. Structured
- Cautious vs. Adventurous
- Concrete vs. Abstract

For the record, I'm moderately dominant and somewhat highly introverted, detached, structured, adventurous and abstract in my thinking. These are neither good nor bad behaviors. They're all raw material for understanding a person and building relationships with him.

Path 6 breaks down each of these behaviors into "subfactors." For example, my dominance trait is explained further by scored indicating I'm somewhat assertive and blunt and highly independent. Subfactor scores on the Detached vs. Compassionate scale show I'm not particularly sympathetic, supportive or tolerant (gee, isn't my wife lucky?).

More important, though, is how these subfactors are used to "align" the business environment between the advisor and client. In fact, I score so high on the independent scale that I probably wouldn't be what most advisors call a "Delegator" client; I'd probably be one of those upper-middle-income people who works with an hourly advisor — a client just looking for a second opinion.

At least, that's what you might predict looking at that scale alone. In reality, I don't do any of my own investing anymore. And you might be able to figure that out if you look at my Adventurousness and Innovation scores, which explain why I'm quick to outsource investing and use the free time to pursue creative ventures, like this newsletter.

Humans are complex creatures. The Path 4 and 6 Profiles can help you understand them better. Next month, we'll tie together the first step in the Financial DNA Discovery Process — Paths 4 and 6 — with the final two steps, and we'll tell you how to purchase and use these services.



Username and password?

## TD Ameritrade Portfolio Rebalancing Tool... *by Joel P. Bruckenstein*

I recently completed an article about portfolio rebalancing for *Financial Planning* magazine which should be available by the time you read this (it is scheduled for publication in the May 2006 issue). In that piece, I discuss a little bit about rebalancing theory, and I offer an overview of three commercial rebalancing programs available to advisors: iRebal, Tamarac Advisor, and eAllocator. These programs are not cheap. eAllocator costs \$5,000; Tamarac's prices begin at \$10,000; iRebal costs at least \$50,000.

While I can make a very good argument that, for some, iRebal is a bargain at \$50,000, it is clear that these programs are not for everyone. For those who cannot, or will not pay for a rebalancing tool, there is a new free option available, provided you are an institutional client of TD Ameritrade. It is called the TD Ameritrade Portfolio Rebalancing Tool (they obviously spent a great deal of time coming up with this catchy moniker!)

On March 10, 2006, TD Ameritrade launched their new rebalancing tool for advisors on Veo. According to TD, this new tool:

"...enables advisors to efficiently rebalance households or groups of individual accounts to model portfolios or asset class targets. The Portfolio Rebalancing Tool automatically creates executable trade lists that can be seamlessly imported into VeoExpress and sent to TD Waterhouse. Advisors can also leverage the tool's numerous diagnostic features to analyze current vs. target portfolios and create rebalancing proposals for clients or prospects. Once enabled, this feature can be accessed directly through Veo free of charge with no additional login required."

Based on the above description, the free TD tool sounded good to me, so I decided to check it out to see how it compares to its much more expensive commercial competitors.

### **A Little Background**

The TD Ameritrade Rebalancing Tools was developed for TD by Advisor Software, Inc (ASI). ASI was founded in 1995 by Andrew Rudd. Rudd is a co-founder and former Chairman & CEO of Barra, the institutional risk management, analytics and software firm recently acquired by Morgan Stanley. He is an expert in risk management, asset allocation, Modern Portfolio Theory and performance measurement. Neil Ringquist, the President and COO of ASI formerly worked for Morningstar Associates, LLC and mPower.

The firm appears to have developed a niche selling applications to institutions. They have supplied software to iShares, NBC Securities, and Sharebuilder in addition to TD Ameritrade. According to TD Ameritrade Senior VP Brian Stimpfl: "So far, we have been pleased with our relationship. ASI delivered the product as promised, on schedule."

### **Program Set Up**

Before you begin using the program, you have to do some setup work. Upon entering the home

## TD Ameritrade Portfolio Balancing Tool... *Continued*

page, the first thing I did was click on the edit preference tab. I then set my minimum transaction amounts for stocks, mutual funds and ETFs. By default, the minimums for all three categories are set to \$1,500. I upped the threshold to \$2,000. This was done to minimize small trades which can generate additional trading costs and taxes without a corresponding benefit.

Next, I created a couple of sample asset allocation targets. As you can see in Figure 1, the allocation can be as broad as four major asset classes: Equities, fixed income, cash, and other. However, you can “drill down” to include sub asset classes by clicking on the plus signs. If you do, you will see all of the sub classes displayed in Figure 2. When you make your selections and create an asset allocation, you will see a screen something like the one in Figure 3, which displays the allocation percentages, a pie chart of the same information, as well as a computer generated risk profile for the portfolio. You can create as many of these asset allocations as you like, and you can assign each a distinct name and description. As an alternative, advisors can create allocations based on sector weightings as opposed to asset classes.

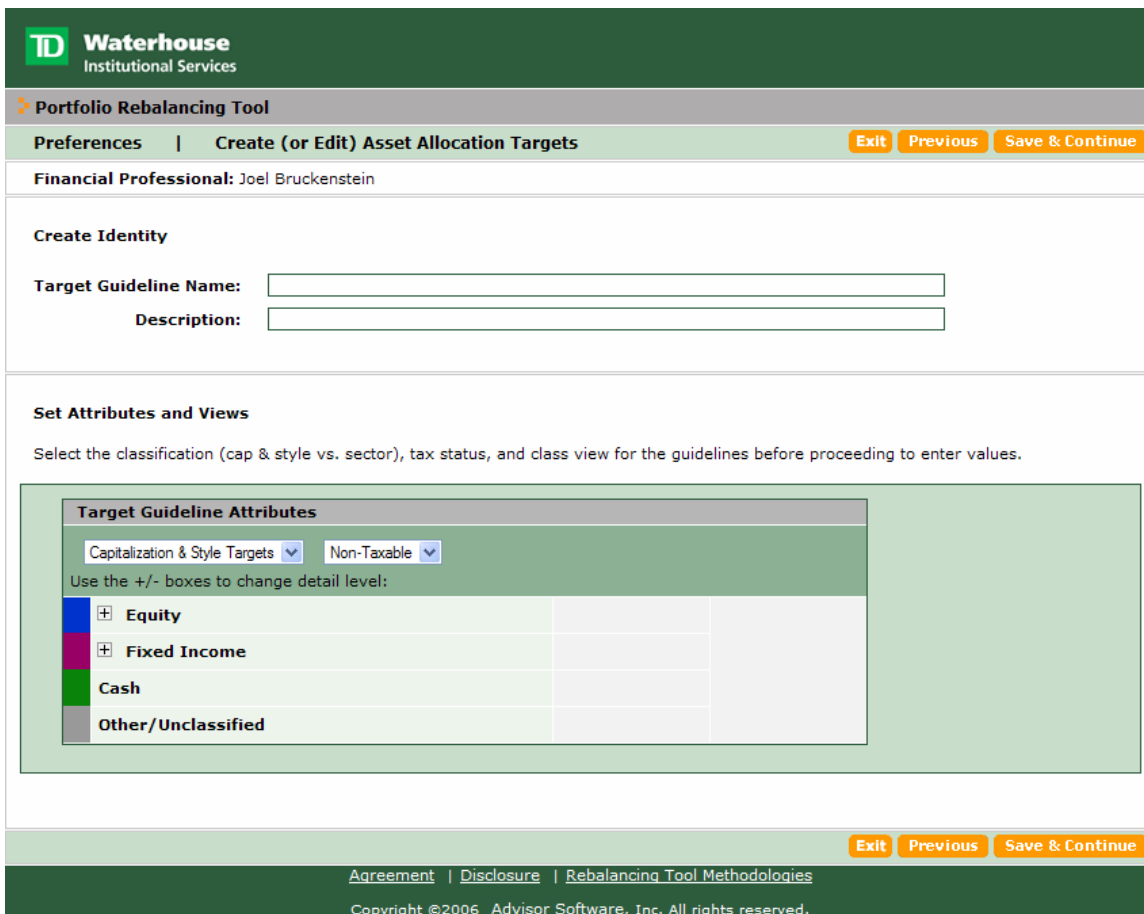


Figure 1

# TD Ameritrade Portfolio Balancing Tool... *Continued*

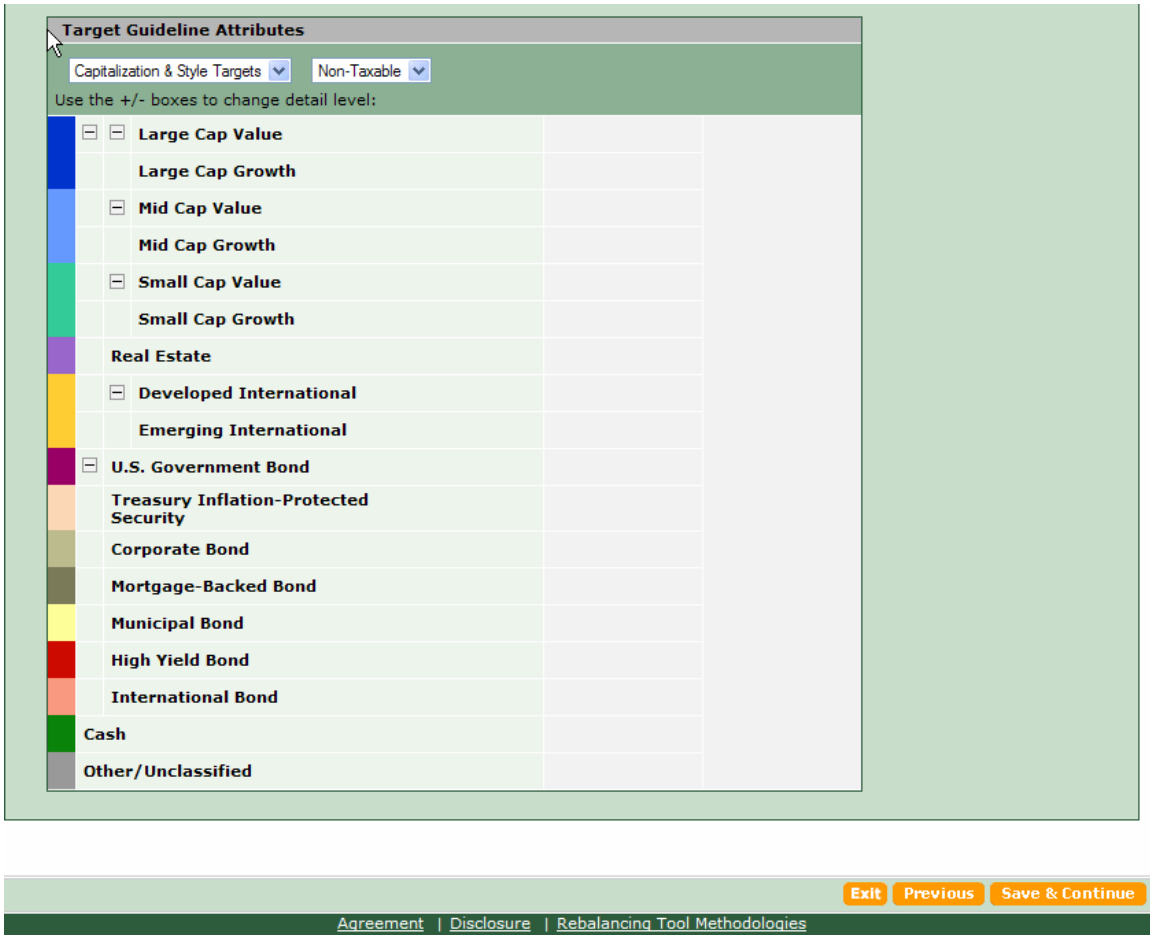


Figure 2

Once you have established your asset allocation(s), you can then create model portfolios based on those allocations that can be applied at the individual account or at the household level. You can also create a model portfolio on the fly, without having first linked it to an asset allocation.

# TD Ameritrade Portfolio Balancing Tool... *Continued*

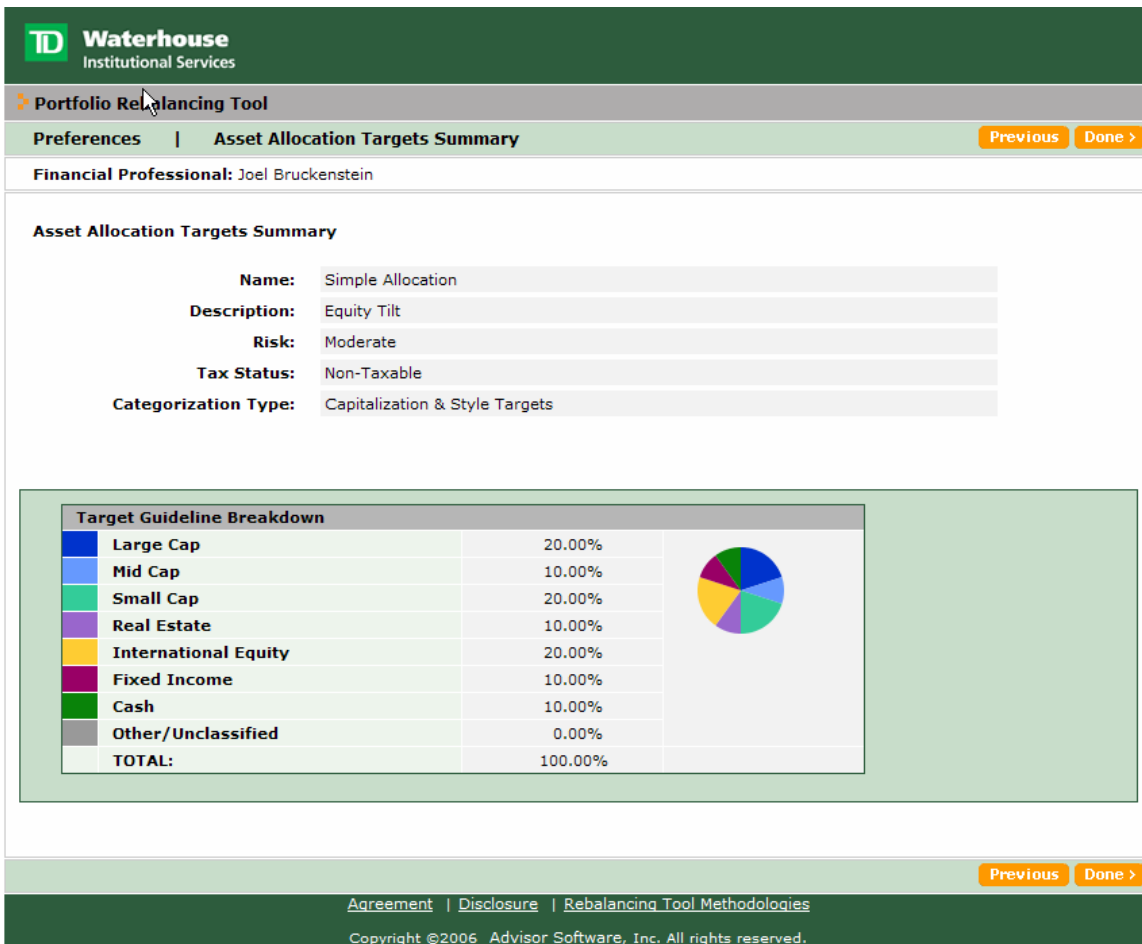


Figure 3

Figure 4 illustrates the model portfolio construction process linked to an asset allocation. Advisors can add positions to the portfolio in a number of ways. They can use the “security search” button, or they can use the “add securities” button. The latter method is faster, provided you know the symbols, because you can enter multiple symbols in a single screen.

Advisors can also add from a universe of securities. If your firm builds most, or all, of its portfolios from the same set of building blocks, be it a list of ETFs, a select list of mutual funds, etc., you can enter the universe once and then select the investments from that universe in the future. You can even create multiple universes, so if you manage some accounts using solely a list of ETFs, and others with a combination of ETFs and actively managed mutual funds, you can create a separate universe to represent each.

It is also possible to upload a portfolio using the provided Excel template or a .csv file. This last method can be particularly useful when using the platform as a proposal generation tool with a

# TD Ameritrade Portfolio Balancing Tool... *Continued*

prospect as opposed to a rebalancing tool. More on that later.

TD **Waterhouse**  
Institutional Services

Portfolio Rebalancing Tool

Preferences | Adjust Model Portfolio Weights

Exit
Previous
Save & Continue

**Financial Professional:** Joel Bruckenstein

Portfolio Guidelines		Proposed Allocation	Target Allocation	Adjust Allocation	
LC	Large Cap	20.54%	20.00%	0.54%	DECREASE
MC	Mid Cap	5.22%	10.00%	4.78%	INCREASE
SC	Small Cap	0.00%	20.00%	20.00%	INCREASE
RE	Real Estate	0.00%	10.00%	10.00%	INCREASE
IE	International Equity	0.00%	20.00%	20.00%	INCREASE
FI	Fixed Income	0.97%	10.00%	9.03%	INCREASE
C	Cash	3.21%	10.00%	6.79%	INCREASE
O	Other/Unclassified	0.06%	0.00%	0.06%	DECREASE
Total Portfolio:		30.00%	100.00%	70.00%	INCREASE

Investment selections and allocations can be made in the "Portfolio View" table below.

Security Search
Add Securities
Add Asset Classes
Add From Universe
Upload Portfolio
Load Model Portfolio

DELETE
Portfolio View

Delete	Asset Type	Symbol	Name	Allocation
<input type="checkbox"/>	C	<a href="#">\$CASH</a>	Cash	<input type="text" value=""/>
<input type="checkbox"/>	LC	<a href="#">CFIMX</a>	Clipper Fund, Inc	<input type="text" value="20"/>
<input type="checkbox"/>	MC	<a href="#">LLSCX</a>	Longleaf Partners Funds Trust: Longleaf Partners Small-Cap Fund	<input type="text" value="10"/>
Total:				30.00%

Security Search
Add Securities
Add Asset Classes
Add From Universe
Upload Portfolio
Load Model Portfolio

🔍 =view blend 🔍 =view detail 🔍 =view fact sheet

Figure 4

In this case, I've added two securities in the lower portion of the screen (Clipper Fund and Longleaf Partners Small Cap). As I add mutual funds to the portfolio, the program automatically assigns them an asset class, which is designated by the color coded box. Notice that the program correctly (in this case) classified Longleaf Partners Small Cap as a mid cap fund.

# TD Ameritrade Portfolio Balancing Tool... *Continued*

TD **Waterhouse**  
Institutional Services

Portfolio Rebalancing Tool

Portfolio | Step 2 of 5: Select Portfolio Target

[Exit](#) [Previous](#) [Save & Continue](#)

**Financial Professional:** Joel Bruckenstein

Please select a Model Portfolio. To continue click "Save & Continue".

My Model Portfolios
My Asset Allocation Targets

To select a target for the portfolio, select a set of guidelines from the table below. Your selection will be confirmed when you click the "Save & Cont" button.

Create Asset Allocation
View Diagnostics

Target Classifications	Target Profiles and Breakdown	
	Current Portfolio	Target Portfolio
	Moderate	Moderate
<b>Large Cap</b>	19.42%	20.00%
<b>Mid Cap</b>	17.12%	10.00%
<b>Small Cap</b>	14.26%	20.00%
<b>Real Estate</b>	0.00%	10.00%
<b>International Equity</b>	29.88%	20.00%
<b>Fixed Income</b>	15.75%	10.00%
<b>Cash</b>	2.05%	10.00%
<b>Other/Unclassified</b>	1.52%	0.00%

Select	Guidelines ▼	Risk
<input type="radio"/>	Asset Allocation #1	Moderate
<input checked="" type="radio"/>	Simple Allocation	Moderate

[Exit](#) [Previous](#) [Save & Continue](#)

[Agreement](#) | [Disclosure](#) | [Rebalancing Tool Methodologies](#)  
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Figure 5

Notice, however, what happens in the upper portion of the screen. Even though I just added a 10 percent position in a mid cap fund (Longleaf), the asset allocation of the portfolio in the upper part of the screen only indicates a 5.2 percent weighting in mid cap. This is because the program “looks through” to the actual holdings of the fund to determine what the asset allocation is. When I click on the magnifying glass on the lower portion of the screen near the fund, I see that, according to the application, the fund only has 52.2 percent of assets in mid cap stocks, while it has a 32.1 percent position in cash. Once I’ve added a holding representing each asset class, I can manually manipulate the data to achieve the mix that I want. If I need help, there is an auto solve feature that can adjust the allocations to get me to the target asset mix.

## TD Ameritrade Portfolio Balancing Tool... *Continued*

### Using the Tool

Once the setup is complete, you can create a proposal, rebalance a household, or rebalance an account. To create a proposal, you either enter in the existing portfolio, or you upload it. Once you have the portfolio in place, you select the model you will be using in the proposal. You can then compare the current model to the holdings, or you can move to the next step. If a prospect has already become a client, you might want to create a proposal using a model, which will display the actual recommended investments. If the prospect has not yet become a client, you can choose to display just the recommended asset allocation, as opposed to the actual investments. In this case, I decided that I want to suggest the allocation illustrated in Figure 3, and apply it to the prospect's portfolio. In Figure 5, we can see that after I select the allocation, the application presents me with the current portfolio allocation vs. the target I've just established.

Next, I can choose to create part of the new portfolio using the existing investments, or not. I decide to create a proposal that incorporates the existing holdings for now. The program shows me which holdings can be mapped to the new allocation, and how they need to be adjusted. I then add the asset classes that are not represented by the current holdings. This yields the "proposed portfolio" — in this case a combination of existing holdings and new asset classes. I am now ready to create a proposal. I hit the "Create Proposal" button, fill in the required client and advisor information, then I check the pages I want included in the report. In about 30-45 seconds, the application generated a very professional looking proposal. A sample is available [here](#).

Rebalancing a household or an account works pretty much the same way. I selected a couple of accents to handle as a household. I then looked at the current allocation of the household. Since the household only held large cap U.S., international equity, and cash, and I wanted to keep it that way, I then created a new asset allocation model on the fly with those characteristics. Next, I compared the household to the model allocation, used autosolve to rebalance, approved the new allocation, and then sent the proposed trades to the trade blotter. Since I was working with small accounts in this case, some of the proposed trades did not meet my minimum trade threshold. These trades were highlighted in red on the blotter, so I could choose to delete them, or approve them as I wished.

### Evaluation

There is a lot to like about the TD Ameritrade Portfolio Rebalancing Tool. First and foremost is the price: it is free for TD Ameritrade institutional clients. Surprisingly, while I'm not sure this was intentional, it is a very good prospecting and proposal generation tool. Once you have it set up, you can produce very professional investment proposals in no time. If the program did nothing more than that, it would be worth using. Having said that, TD set out to offer advisors a rebalancing tool, and not a proposal generation tool. It seems to me that they have made a strong first step in that direction, but I'd like to see more in the future, and I fully expect to.

This tool does a very good job of allowing the advisor to create model asset allocations and model portfolios. It does a fine job of helping advisors compare current portfolios to the models and identify

## TD Ameritrade Portfolio Balancing Tool... *Continued*

imbalances. Once the imbalances have been corrected, it automatically generates the trades, which can then be uploaded for execution. What it does not do is automatically perform the “intelligent” rebalancing a la iRebal. The program does not allow you to set trading bands for asset classes so that you can buy low and sell high. It does not take asset location into account when rebalancing at the household level, and it does not take taxes into account. An advisor still must manually make those decisions. On the other hand, this application appears to offer much of the functionality that eAllocator, a \$5,000 program, does.

There is at least one obvious (to me anyway) bug that needs fixing, and I’m sure it will be addressed in short order. The security lookup did not work when I set it to “all product types.” So, if I select the name of a mutual fund, Longleaf Partners for example, and search using the all-product-type parameter, no results are returned. When I change the search parameter to read “mutual funds,” instead, I get the results I expect.

Some advisors will not like the fact that you cannot assign your own asset class labels to a holding, something that eAllocator allows you to do. The mutual fund asset allocation data is supplied by Lipper, while the equity information comes from Barra. Generally speaking, I found that I could live with the program’s classification system, but there are quirks. For example, the program lists the Merger Fund, a risk arb fund, as a mid cap fund. While this may be technically correct, it certainly does not reflect the way most advisors are, or should be, using it since the fund is weakly correlated with the major stock indices. If something has not yet been classified, like a number of PowerShares ETFs, they get lumped into the “other” category, even though they may represent a “pure” sub class.

The portfolio analytics may pose a more serious problem. They need some work. In the Longleaf example cited earlier, there was no date offered as to the portfolio breakdown. The application indicated that the fund was 32.1 percent in cash. On the day I checked, Morningstar was still using 12/31/2005 data, which showed Longleaf’s cash at 6.3 percent. Longleaf’s website had recently posted 3/31/2006 numbers indicating that cash and equivalents stood at 12.5 percent. That’s a fairly large discrepancy — one that can probably be attributed to the age of the data. In any case, at a bare minimum, the program should offer a date for the data; a better solution would be to allow advisors to override the data, or to have the provider update it on a regular basis. In all fairness, this data discrepancy is primarily the fault of the data provider, not TD Ameritrade, but somebody should have checked it.

One function I found a bit misleading was the ability to label allocations as taxable or non-taxable. Right now, those labels are meaningless. Hopefully they are there because they will serve some function in the future.

If I had to suggest a single upgrade that would really improve the program, it would be the ability to set a range, or band for each asset class as opposed to a fixed percentage. This would allow advisors to rebalance opportunistically. It would also be helpful to offer advisors the option to designate the minimum transaction size as a percentage of the portfolio, as well as a dollar amount.

The fact that this application is integrated into the TD Ameritrade platform means that even advisors

## TD Ameritrade Portfolio Balancing Tool... *Continued*

who custody with TD Ameritrade will only be able to use the tool with the assets that are held and traded there. If you use more than one custodian, or if your client has some held away assets, you can use the proposal feature, but you obviously cannot use the order generation functionality of the program.

### Our Take

The TD Ameritrade Portfolio Rebalancing Tool is not perfect, but I've yet to see a version 1.0 of any software product that is. TD Ameritrade Manager Ben Welch, who provided me with my initial tour of the product, told me that TD plans to improve upon it over time, and I'm sure they will. Even at this early stage however, I'm impressed. While the tool cannot totally automate intelligent rebalancing, it sure can speed up the process a bit. With a few simple tweaks that I've outlined above, it will be even better.

Even for those who do not use it to rebalance, there could be value here. I really like the ease of generating proposals, and the output looks very good. In addition, it is easy to customize the reports, omitting the pages you don't want, or adding the pages you do. With competing commercial products starting in the \$5,000 range, this tool certainly appears an enticing alternative for some. Brian Stimpfl, Ben Welch and anyone else involved in deploying this tool for advisors deserve a great deal of credit. This tool fills a void in many practices, and TD Ameritrade is providing it to their advisors at no charge. We are all vocal in our criticism of custodians when they screw up, let's be equally vocal when they try to do the right thing: *good job TD Ameritrade!*



## Conference Sightings

During the next 12 months, Dave and Joel will be appearing and speaking at the following conferences:

- May 3-5, 2006, 2006 Financial Profiles Conference, San Diego, CA (Joel)
- May 9, 2006, FPA of Central Ohio, Columbus, OH (Joel)
- May 14-16, 2006, Canadian Advisor Tech Expo, Toronto, Canada (Dave)
- May 31, 2006, FPA of Michigan Annual Practice Management/Technology Day (Joel)
- June 20, 2006, 24<sup>th</sup> Annual MNCPA Estate and Personal Financial Planning Conference, Brooklyn Center, MN (Joel)
- August 18, 2006, FPA Minnesota Practice Management Forum, Golden Valley, MN (Joel)
- September 17, 2006, NAPFA West Region Conference, Portland, OR (Dave & Joel)
- October 21-24, 2006, FPA National, Nashville, TN (Dave)



*“The computers went down at the supermarket, and everybody took it as a signal to go ahead and loot.”*

## What We Use *by Joel P. Bruckenstein*

Browser toolbars are one of those wonderful little applications that you never knew you needed until you tried one. Once you have used a toolbar for a while, you don't know how you ever made due without one. In the course of my testing and writing, I've tried browser toolbars from all the major players, but my current favorites are the latest crop of toolbars from Google. Why? Probably because: a) I tend to use Google for the majority of my Web searches; b) I use my Google Gmail account much more frequently than my YahooMail account; and c) Google has other tools that I find useful. If you are a heavy user of YahooMail, you may find it more convenient to use the Yahoo Toolbar. In addition, both Yahoo and Microsoft have released beta versions of their next generation toolbars, so there could be some good competition for the Google toolbar ahead but, for now, I'm using Google's latest versions, and I love them!

Here's the latest on the Google Toolbars for both Internet Explorer and for Firefox. If you've never used Google Toolbar, I encourage you to give it a try. If you are already a user, upgrade to the latest version today and enjoy an enhanced browsing experience

### Google Toolbar Version 4.0.5 for Internet Explorer

Google Toolbar Version 4, which Google is currently listing as "beta" software, is performing flawlessly so far on one of my computers. This latest version sports a number of new goodies that I am already enjoying. Custom buttons rank as my favorite new feature. They allow me to get at the information I need faster than ever before.

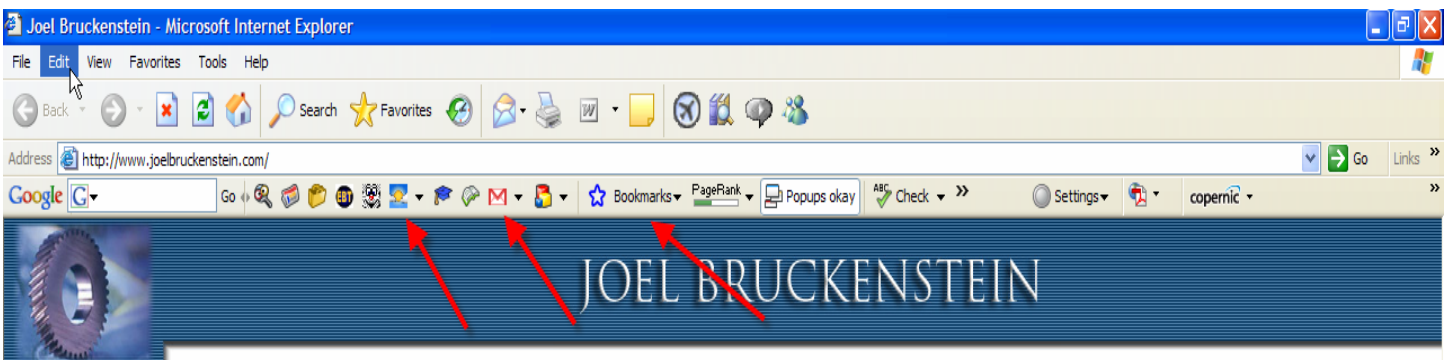


Figure 1

As we can see in Figure1, I've installed a number of these custom buttons on my toolbar. Reading from left to right, the first arrow points to the weather icon. If I hover the mouse over this icon, a little balloon appears with the current weather conditions for the zip code I've entered. If I click on the icon, it performs a Google search, providing additional weather details. The middle arrow is pointing at the Gmail icon. As expected, pressing this button takes you to the Gmail log-in page.

When you install the toolbar, it comes pre-equipped with four buttons that you can add. They are: Gmail, Google Define (a dictionary), Google Scholar, and the local weather button. At the "[button](#)

## What We Use... *Continued*

[gallery](#),” you can select from a wide range of additional buttons. These include buttons for news sites (N.Y. Times, CNN, AOL News), reviews, Tools (McAfee Security Threat, NameCheap.com domain search, etc.), travel (booking buddy.com, OneTime.com), and much more! You can also create your own custom buttons for your favorite sites.

Another really useful feature is the new bookmark feature (see the right arrow in Figure 1). Why, you might ask, would I need bookmarks if the browser itself already includes this feature? Well, these bookmarks are more powerful than your standard browser bookmarks. With Google bookmarks, you can access your favorites from any browser that has the new Google Toolbar installed. Google obviously stores your bookmarks online, so you need a Google account, and you must be logged on to use this feature, but it is very handy!

Speaking of signing in, you can now do so from the toolbar. In our illustration, the settings icon to the right (near the Adobe icon) is grayed out. If I click on it, a “sign in” button appears. Clicking this brings up the Google sign-in page. Once I am signed in, the gray circle next to “Settings” turns green to remind me that I am signed in.

The search box has been enhanced. The default search is a Google search, but if you click on the down arrow in the box, you can select any of the other custom searches you have loaded onto the toolbar. In addition, the enhanced search now offers suggestions and error correction as you type in your search term.

One feature that I don’t use much yet, but you may, allows the user to send Web pages to others via email, text message (to a cell phone), or to a blog. The “send to” icon is not visible on my toolbar, but it is visible on the default installation.

All of the other Google features that you’ve come to love are here too. There is a pop-up blocker, a spell checker, a translate button and autofill. In addition, you get the AutoLink button. This feature looks for addresses on a Web page and allows you to link to a map corresponding to the addresses.

In summary, the new Google toolbar provides a number of new useful features while retaining all the functionality of its predecessor. For me, that’s a winning combination. Download your copy [here](#).

### **Google Toolbar Version 2.0.2 beta for Firefox**

On two of my three computers, I have Firefox set as the default browser, so it is nice to know that there is a Google Toolbar available for Firefox too. While the two versions share many similarities, the toolbars are different. In fact, the only major new feature they have in common is the enhanced search box.

Perhaps this is because the Firefox browser already offers some of the functionality that the Google Toolbar adds to IE. For example, in Firefox, it is possible to add extensions (available

## What We Use... *Continued*

through a link on the Firefox site) that allow you to view a weather report, access a dictionary, etc. As a result, there little need for the "button" feature in the IE version.

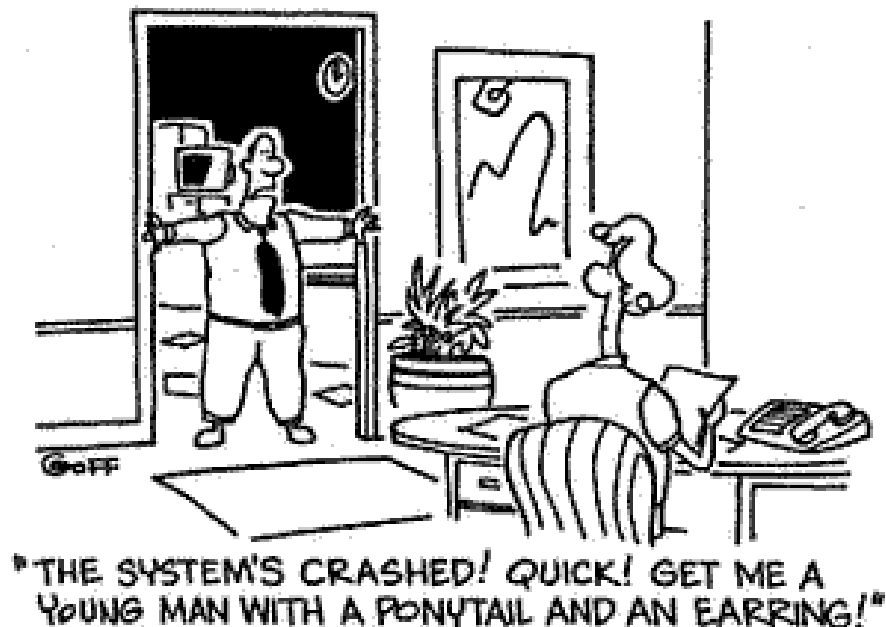
In a similar vein, the Firefox version of the Google Toolbar omits the online bookmark functionality, however, there are Firefox extensions for [del.icio.us](http://del.icio.us) and for [Spurl](http://Spurl) that essentially allow you do the same thing.

The Firefox toolbar offers "Google Safe Browsing." This service alerts you if a website appears to be asking you for personal or financial information under false pretenses, a practice commonly known as phishing. This antiphishing protection is a valuable asset, and it is available in the beta version of the soon to be released Internet Explorer 7, so perhaps that's why Google didn't include it in the Internet Explorer version.

There is also an RSS news feed subscribe button incorporated into the toolbar. If you visit a site that has a newsfeed available, the button will light up. You can then subscribe to the feed by simply clicking the button.

A "send with Gmail" button allows you to use Gmail as your default email client. Also new: the ability to choose from one of three pre-programmed toolbar layouts.

Like the IE upgrade, the latest Firefox toolbar is a welcome improvement. So far, I'm enjoying other upgrades immensely. I'm sure you will too.



## Q&A With Joel & Dave

Question: I live in Manhattan. On 9/11, all the phones -- cell and landline -- were barely working if at all. My email carrier, on the other hand, is my cable company. On that day I received many emails from friends outside of NYC or even within NYC if they had broadband access. Given the frequency with which our monopolistic cable company manages to drop the TV picture or proves unable to connect me to my server, I wouldn't recommend that anyone put all their eggs in one telecom basket. You might as well get two tin cans and a string for backup if that's the choice you make, in my opinion.

Joel: Your point is well taken. I have experienced similar problems down here in Florida. While there may be advantages to consolidating some services with a primary carrier, that does not mean one should not have a back-up. After the hurricane here last year, there were service interruptions too. As a result, I've purchased a high speed wireless card from Verizon Wireless in addition to my primary ISP. Many businesses can sign up for high speed service from a number of providers (perhaps a Telco and a cable company) using one as a primary source and the other as a secondary source. This seems like a wise choice to me.

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Question: Hi Joel, I've enjoyed your work for some time. You have a fantastic way of turning the complex into something we can all understand--thank you for that! If you had the opportunity to start-over, what would you do? Which programs, hardware, etc. would you use from the list below if you had a small practice (20 clients and \$40 million AUM through Schwab):

Performance Reporting: AssetBook, Krisan, Investigo, Intuit PortfolioMinder, (or would you go with a complete outsourced solution such as BridgePortfolio?)

Outsourced Back-Office: Total Office, ???

Scanner: Fujitsu 5120c, Xerox DocMate 252

Printer: HP Color 3600, HP Color 3550

Document Management: PaperPort, DocuXplorer, Worldox

Phone System: GotVMail, VirtualPBX

Virtual Assistant: Total Office, Get it Done!

CRM: Act! 2006, RedTail, iNation

Backup: MaxtorOneTouch, ???

Financial Planning Software: Naviplan Online, MoneyGuidePro

Financial Planning Outsource: Holland Advisory, Planning Partners, Back Office Solutions

Bookkeeping: Soulsby, ???

Joel: Thanks for the kind words. Without knowing more about the precise nature of your practice, I can only give you limited help (that's why I offer [consulting services](#)). I can tell you that as far as scanners go, I have a slight preference for the Fujitsu, although both are fine. I'd probably decide based on price and the software I was most interested in. There is nothing wrong with the Maxtor OneTouch, but again, depending on your computer configuration, it is possible that better choices exist. I'm not sure that either of the printers you mention would be among my top picks, although they are certainly serviceable.

## Guest Columnist: *Steven Ryder, WAN Strategies, LLC*

### A Practical and Affordable Data Security Service



With the recent news report of a laptop, which contained the information of some 196,000 clients from Fidelity Investments, being stolen, it is a wonder that any company still allows its users to have this information checked out of the office. It is certainly not the first time, nor will it be the last time we hear of this happening. Let's explore a practical way for small and mid-size companies to protect their client data.

With broadband Internet access available nearly everywhere, there are few good reasons for any data to leave the corporate network, especially personal or financial data. RemoteWorkplace (RWP) is an excellent way to access such information *quickly, securely, and easily*. The only tool you need to use RWP is a PC with an Internet

connection.

RemoteWorkplace is a managed service provided by [WAN Strategies](#), a full service technology company that supports a number of advisory firms. RWP provides a simple, easy way for employees and virtual work partners to access necessary applications and data quickly from anywhere. Quick and easy are nice, but security is the most important part of the service. First, every inch of the connection is protected by encryption and password security. Second, in the preferred design, all data stays on your corporate network. You can see it, you can add to it, change it, and delete it, but it stays safely on your servers.

#### **So, what makes RemoteWorkplace unique, and why should it be considered?**

First, don't confuse RWP with an Application Service Provider (ASP) that actually hosts your servers, applications and data so you don't have to maintain them (WAN Strategies provides these services as a bundled solution with RemoteWorkplace, but this is not covered in this article). With RemoteWorkplace, your data and your applications reside on your server at your location. RWP is a single, secure portal that can only be used by authorized persons to access the information on your corporate network.

Second, it is highly flexible. For example, the security is granular enough to allow your accountant access only to your books and accounting functions at any time of the day or night. You can also allow a part-time worker access to data entry from 10 AM to 3 PM on Tuesdays and Fridays. Finally, company principals could always be allowed to access everything, if they so choose. The system requirements for the customer are fairly basic. A business class firewall is needed at the office, and a Windows or Linux server running Terminal Services, or a workstation running Windows XP Professional, is needed to host the applications and data.

For security, RemoteWorkplace uses SSL level encryption (the same security that Amazon and

## Steven Ryder... *Continued*

L.L. Bean use for online sales) from the remote location to the RWP Web portal. From the RWP Web portal to your company network, a traditional virtual private network (VPN) takes over to securely send the traffic through the Internet with full encryption and authentication. In addition, each data packet is run through intrusion prevention, anti-spyware, and anti-virus components before it reaches the corporate network. WAN Strategies owns and manages all the underlying security components. This combination of security measures is not offered by any other managed remote access solution.

While that description may seem complex, it is really not. Often when I explain that, I am immediately asked, "Why not just use Citrix, or VPN client software, or even GoToMyPC?"

Continued on next page

### **RemoteWorkplace in Action**

A mortgage company owned by a bank was very interested in RemoteWorkplace. We demonstrated the technology to the CFO of the mortgage company. He was ready to deploy it, but before he could, he said it first needed to be cleared by the security officer of the bank. The CFO forewarned me that all this was unlikely to happen because the bank had no interest in employees working from home or remotely. Even though the stated position did not match reality (all the mortgage loan officers had company-provided laptops, and took loan applications outside the office), we took a nothing-ventured-nothing-gained attitude and went ahead with the pitch.

I called the security officer and explained RemoteWorkplace to him, and, just as the CFO of the mortgage company had predicted, the security officer had absolutely no interest in the idea. I pointed out to him that he already had users working remotely and from home because the loan application software was on those laptops. More important, all their customers' financial information was on the laptops too. I asked him to humor me for a moment and search on "stolen laptop" from Google. "Let me know what you find," I said.

While I expected a lengthy process to have this fairly large bank approve using RemoteWorkplace, it took him only a few moments to review the Google results and to realize the liability of having personal data exposed on company laptops. On the very same phone call, the security officer asked: "So, when can we start using your service?"

Our implementation planning began immediately. All business software and data was taken off the laptops, and the mortgage loan officers now use RemoteWorkplace for simple, secure access to the applications and data using RWP. And, the loan officers learned another advantage of this approach. Before RWP, loan applications and data were on the laptops, and more copies existed in the main office, so these had to be kept in sync. Now, data is always current because there is just one copy – the one on the server at the mortgage company offices, well protected and secured from outside threats.

## Steven Ryder... *Continued*

First of all, Citrix and terminal services are not security solutions by themselves. Citrix is generally an enterprise level solution too difficult for most small-to-medium companies to manage. In addition securing Citrix can be fairly complex and expensive.

Next, while VPN client software is fairly inexpensive, it is notoriously difficult to use and can cause far more frustration than satisfaction for users who connect from several locations. VPN clients generated so many support calls from customers that WAN Strategies created and trademarked RemoteWorkplace to provide a better solution. VPN software creates a "tunnel" for a remote PC which then allows it to be a virtual node on the network. The security challenge this presents is the high probability that worms, Trojans or viruses may "funnel" into the corporate network from an infected remote PC. This is not possible when using RemoteWorkplace.

Finally, the technologies like GoToMyPC actually circumvent firewalls. Although they are touted as secure, they are a security nightmare. This is because they can allow unauthorized access to the corporate network without the company owner's knowledge. For that very reason, WAN Strategies usually blocks these services explicitly at the firewall, so such breaches can not happen. In addition, RemoteWorkplace has approximately the same monthly cost as GoToMyPC.

The driving force behind RemoteWorkplace is to provide a comprehensive solution at a reasonable price for small-to-medium size companies needing simple, secure remote access. For much less than the price of a cup of coffee per day, WAN Strategies' RemoteWorkplace customers protect their most valuable asset – the trust of their partners and clients.

\* \* \*

Steven J. Ryder is President of WAN Strategies, LLC located in Keene, NH. WAN Strategies specializes in simple, secure remote access solutions and wide-area-network security and is also a full service network solution provider. The company takes pride in finding a solution for their customer that will save more money than WAN Strategies cost to deploy it.

In February of 2003 the company launched a unique service called RemoteWorkplace<sup>®</sup> which allows small to medium size businesses secure, remote access to their corporate networks from virtually any PC, anywhere. In August 2003, WAN Strategies gained national recognition by being interviewed by and published in CRN Magazine, a national technology publication for RemoteWorkplace<sup>®</sup>.

In February of 2005 the company launched SecureWorkplace<sup>™</sup> offering a full suite of security and monitoring options that may include one or more of the following: Managing and monitoring all devices on a customer's network for critical events, firewall and gateway protection and a comprehensive end-to-end security solution with includes RemoteWorkplace<sup>®</sup>.

Steve can always be reached at [stever@wanstrategies.com](mailto:stever@wanstrategies.com)

## Letter From The Editor

This last month I made a major personal discovery: I don't always get along with technology.

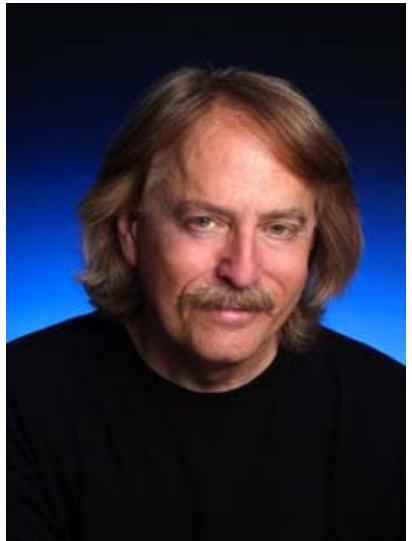
No, I'm not talking about the usual computer hassles we all have when trying to install a new system, or lure the gremlins from an old, cantankerous one. I'm talking about those products and gadgets we use that everyone takes for granted as simplifying our lives.

Phones, for example. I've been touting the benefits of smartphones for years (most recently, the Treo 650). In a very recent "What We Use" column, in fact, I recommended to readers that they try Handmark Express, a great Treo add-on for increasing the flow of useful information to your telephone whenever you need it (downtime in airports, long dinners at your wife's family's house, etc.).

The discovery I made — one that technophobes will probably laugh at because it will be so elementary to them — is that it takes a certain personality to use these devices *responsibly*. Alas, I'm not that person, I discovered. You've heard of "Crack-Berries" (for the uninitiated, that's a Blackberry in the hands of an email-obsessed user)? Well, the Treo — in my hands — turned into a (can't think of anything clever) drug-like experience... meaning, I had to check my email on the darn thing constantly.

The bottom line is that it broke on me while on vacation recently. Without the stimulation, I felt infinitely more relaxed and that's when the whole thing dawned on me. To read my story, [click here](#).

And, we hope you enjoy this action-packed issue of *Virtual Office News*.



*Dave Drucker*

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