



Traders' Academy Online Courses



Investing for Clients Using TWS – Account Groups – Study Notes

Setting Account Alias

- Once client accounts have been approved, you will need to understand how to make trades for multiple accounts and at an account-specific level.
- You may first want to assign account aliases rather than remembering whose account belongs to which account number.
- Aliases can be set within Advisor Portal. From the Home Page, locate the Contacts tab and select a client by clicking on the 'i' icon to the left of the Title column.
- Beneath the Configuration menu to the right, click on the wheel to the right of Account Alias. Enter the account alias and click Save.

The screenshot displays the 'Contact Information' page for a client named 'Dave Bvi'. The page is divided into several sections: 'Profile Information', 'Financial Information', 'Trading Experience & Permissions', and 'Configuration'. The 'Configuration' section is expanded, showing various account details. A green arrow points to the 'Account Alias' field, which is currently set to 'John Smith' and is highlighted with a green box. Other fields in the 'Configuration' section include Customer Type (Individual), Legal Residence (British Virgin Islands), Application Method (Fully Electronic), Market Data Subscriber Status (Professional), Application Start Date (2019-02-20), Account Open Date (2019-02-25), Account Status (Open), Account Title (IBLLC [redacted] BVI Test Account), Username (davebv11), Email Address ([redacted]@interactivebrokers.com), Account Type (Margin), Base Currency (USD), Dividend Reinvestment (Disabled), Full Service (Disabled), and Secure Login System (Disabled).

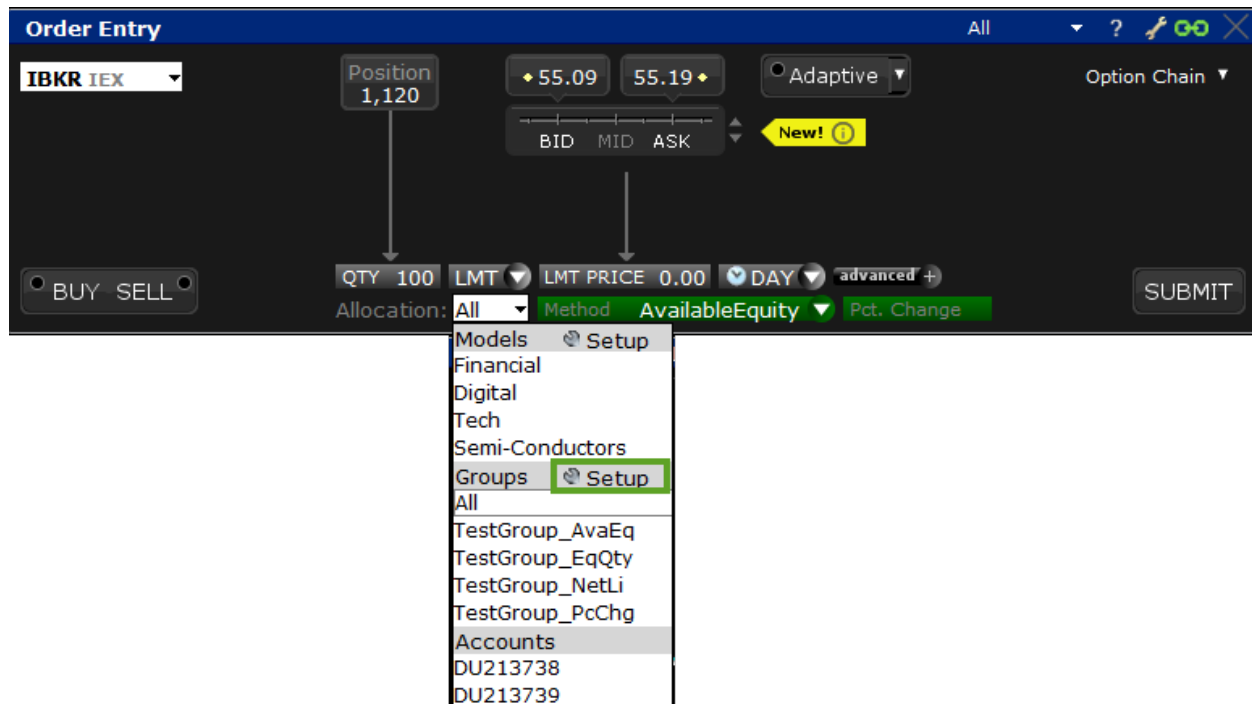
Allocation and Account Groups

Most Advisors want to enter client trades in a finite amount of ways. They want to enter an order for either all accounts or a subset of accounts. Or else they want to allocate a trade to a single account. And many Advisors rely on investing their clients' assets in some form of model. This lesson will deal with defining WHO trades are made for and HOW the trades may be allocated using TWS.

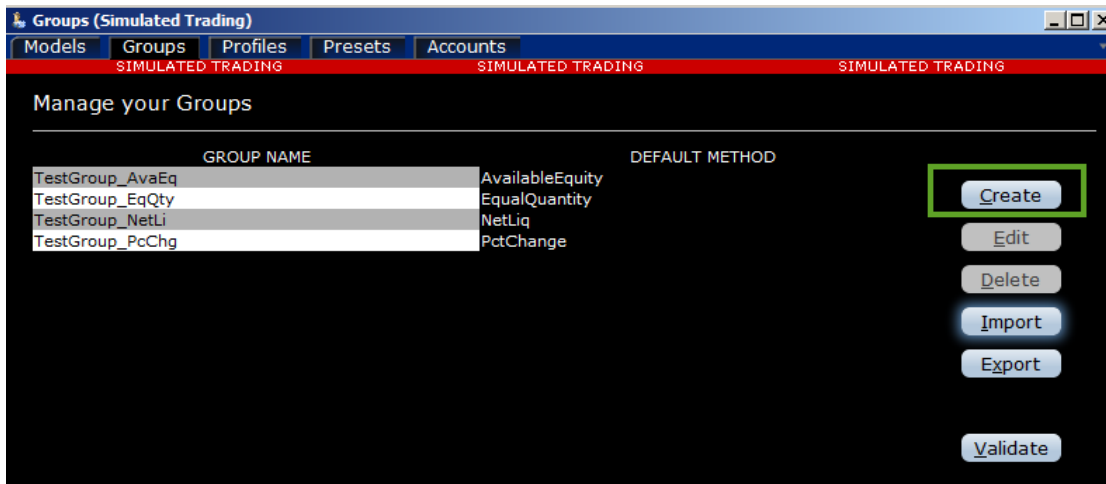
Before we dive in, look at the Order Entry panel in Mosaic. Specifically, note the green Allocation and Method buttons beneath the Quantity, Order Type and Price input fields. These help drive the WHO and HOW decisions when creating orders.

Let's start with the WHO by creating Groups.

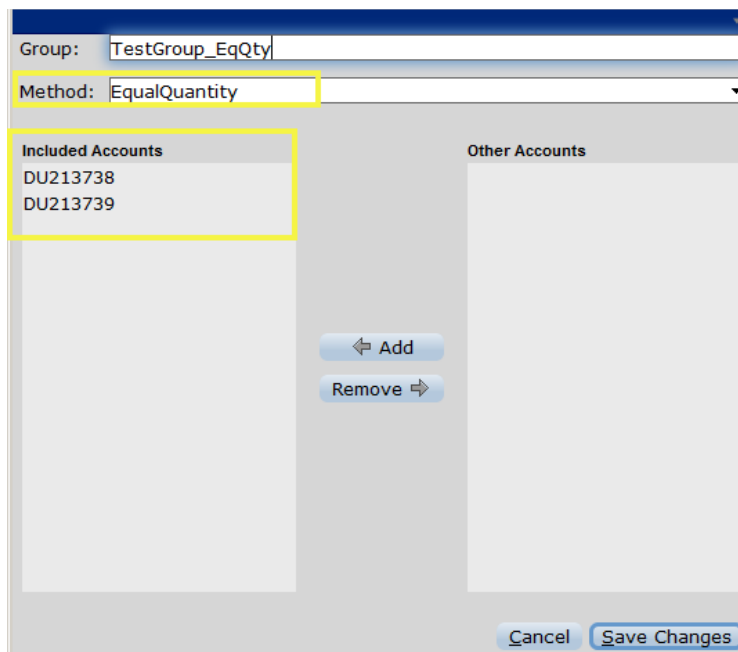
- You will notice that under the Allocation dropdown menu 'All' appears as a choice under the Groups section.
- This belongs to the system and so you cannot create a group of clients using the term ALL.
- An Advisor may have different categories of clients, some who are treated as risk takers and those who may be treated as risk averse.
- To the right of each category is a configuration icon. This is a shortcut to the advisor setup area in Global Configuration.



- Alternatively, to create a group of clients, find the File menu at the top of the page and click on Global Configuration.
- In the left pane, locate and click on Advisor Setup.
- From the top-level menu, select Groups to open the *Manage Groups* window.
- From the buttons to the right, click on Create to open the *Create Group* window. Assign this group with a unique name.



- From the Account Picker to the right, highlight the account numbers or aliases you want to add to the group window on the right.
- Use the Control key to select more than one at a time and click Add to define them within the *Included Accounts* pane.

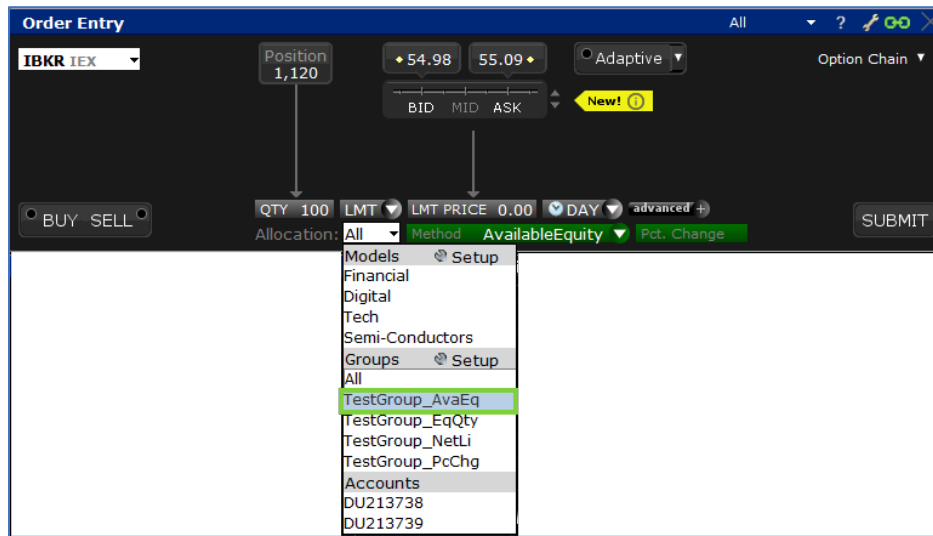


- Above is a Method dropdown menu.
- In this first example, I will choose Available Equity and select Create. You will see the newly named Group listed on the left of the Manage Group menu, and the Allocation Method displayed in the right column.
- Use the 'X' in the upper right corner to exit.

Trading with Account Groups in TWS

- To see the flow, let's look at the Order Entry panel.

- When expanded, the Allocation button reveals Sections for Models, Groups, Profiles and Accounts.

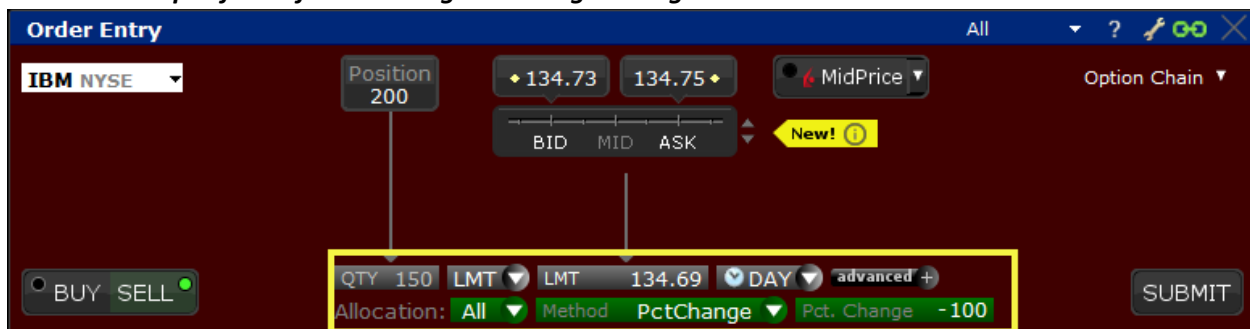


- In this video, these have been programmed in advance to help show how allocating trades can work in TWS.
- You can see the Group that we just created is included in the list.
- Next, look at the available choices for Methods of allocation across accounts.
- The list displays Percent Change, which only applies for open positions; Available Equity, Net Liquidation and Equal Quantity. Let's give each definition a little more detail.

When an order is entered for more than one account, TWS will calculate an allocation ratio.

- The **Available Equity** method measures Equity with Loan value for accounts and calculates the ratio according to current availability based upon the number of shares, or the value of the order entered.
 - For example, an order for 700 shares is transmitted in XYZ stock for a group of three accounts (0, 1 and 2) with available equity of \$25,000, \$50,000 and \$100,000, respectively. The system calculates a ratio of 1:2:4 and allocates 100 shares to Client 0, 200 shares to Client 1 and 400 shares to Client 2.
- For the **Net Liquidation** method, the system measures the net liquidation amount for each account and similarly calculates an allocation ratio. As with the prior example, where three clients have the same Net Liquidation value, the allocation ratio would be the same in this case. In either case, the allocation methodology ensures correct pro-rata distribution among accounts based upon available buying power.
- The **Equal Quantity** method allows the Advisor to input a number of shares and TWS divides equally across the selected group of accounts.
 - For example, an order is transmitted for 400 shares of ABC stock for a group of four accounts. Each account will receive 100 shares. If the group includes six accounts, each account is allocated 66 shares, then one share is allocated to each account until all are distributed.

- The **Percent Change** allocation method increases or decreases an existing position by the specified percentage. When the Percent Change method is selected for an account or Group of accounts, the user enters a positive number to determine the percentage increase to be bought across those accounts for long positions. If the user wants to trim a long position, a negative value should be entered in the input field.
 - For example, three accounts in a group hold long positions in stock XYZ. Client 0 has 100 shares, Client 1 has 200 shares and Client 2 has 400 shares. The Advisor wants to increase holdings by 50% and enters '50' in the percentage input field. Across those three clients, the total number of shares held in XYZ is 700, and so the system calculates the order size to buy is 350 and allocates 50 shares to Client 0, and 100 shares for Client 1, and 200 shares for Client 2, upon execution.
 - **When closing the position for these three clients, enter '-100' in the percentage change input field after selecting Percentage Change as the allocation method.**



As a reminder, when entering an order, remember to locate the dropdown menus for Allocation – the WHO in our theme – and the Method or the HOW a trade will be divided. Note that from the Allocation menu a single account may be chosen. When selecting a single account or alias, the Method dropdown menu will disappear from the Order Entry panel.

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