



Traders' Academy Online Courses



TWS Model Portfolios – Independent and Model Positions – Study Notes

In this lesson we will elaborate on the Independent holdings in Advisor accounts and how the reallocation process works when a client already invests in a component of a Model. We will also discuss Divesting.

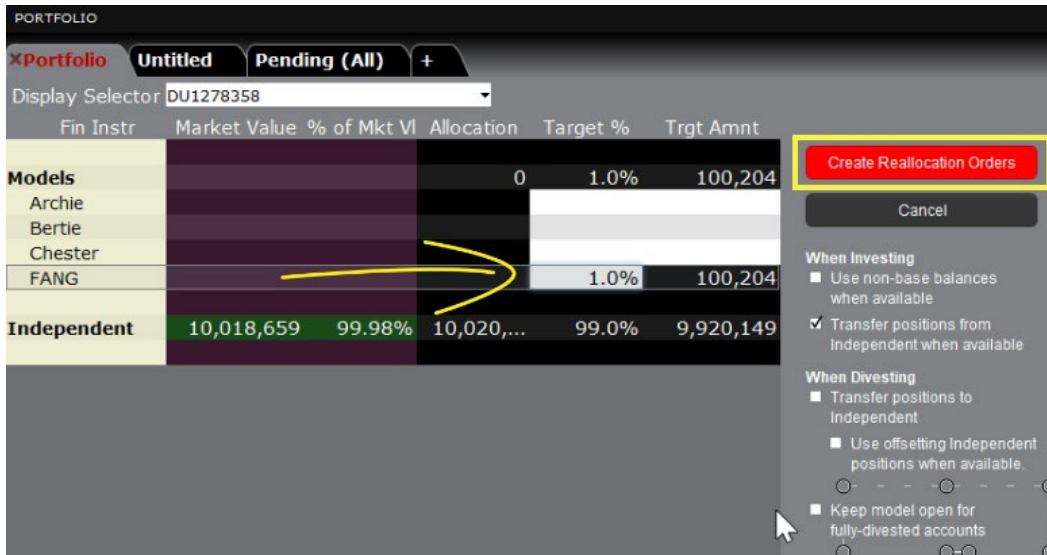
Earlier we created a couple of Model Portfolios. However, we want to explain the implications of how the Model software operates when clients already hold positions in assets that the models would then invest in.

The FANG Model Portfolio comprises positions in Facebook, Amazon, Netflix and Alphabet. You can see the target percentage allocations used in this Model.

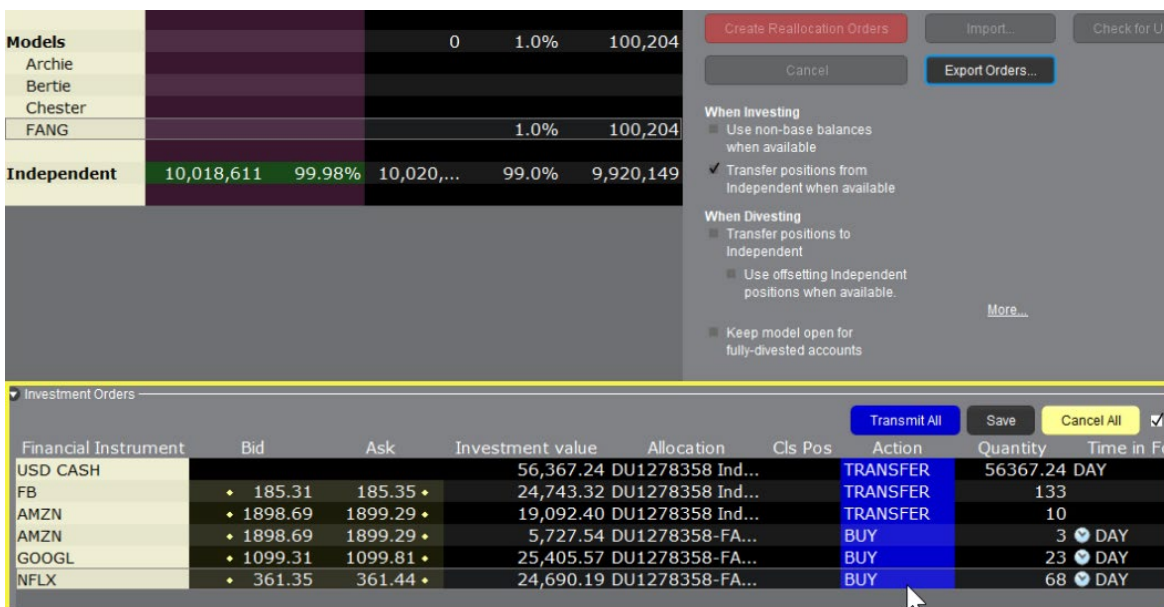
And by looking at a sub-account, you can see that the client holds some shares in Facebook and some in Amazon.

When adopting the FANG Model Portfolio for this sub-account, the Advisor wants to consider these existing holdings.

If the Advisor allocated \$100,000 or 10% of the client's assets to Model Portfolio FANG, and the software overlooked current holdings, the client would become overly exposed. Instead the software will look at the client's portfolio and check for existing holdings. If they exist, it will transfer part of, or all of, the shares into the Model rather than making fresh investments.

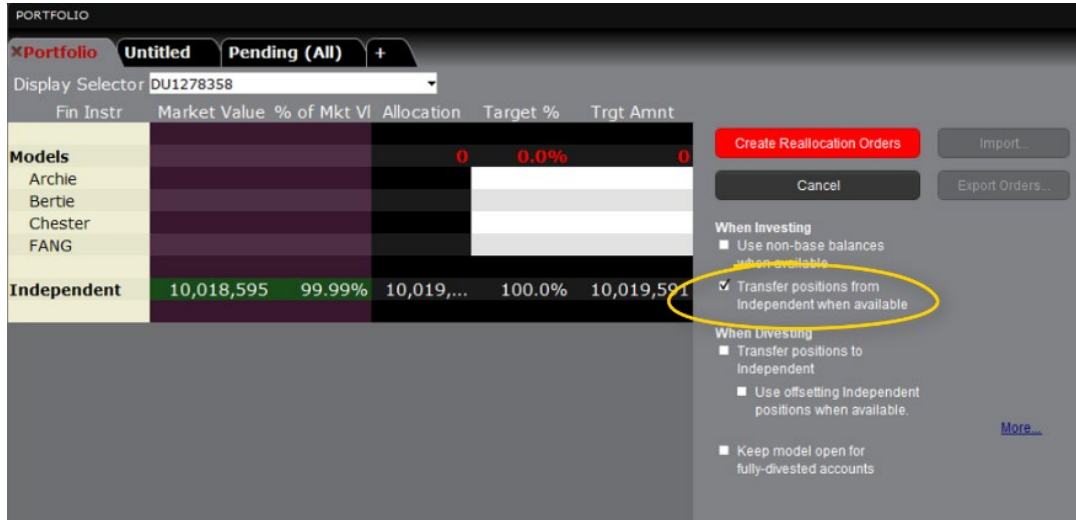


- From the Display Selector, choose the desired account.
- Click the reallocate blue swirl button to the upper right. Click on the Model to invest client money in to.
- Enter the Target amount.
- Click on the red Create Allocation Orders button.
- The Investment Orders will appear beneath.
- You will see the Transfer of cash to the sub-account.
- You can also see the Transfer of some shares in Facebook – enough to complete the desired amount according to the Model Portfolio’s allocation.
- This will leave some remaining shares in the Independent side of the account. You will also see the Transfer of shares in Amazon from the Independent side of the account along with an order to buy additional shares to meet the FANG Model Portfolios allocation. And there are remaining orders for Netflix and Alphabet.



The Model Portfolio software is designed to maintain client funds appropriately and not duplicate exposure when not intended to.

If you do not want to restrict the investment purchases, you may always uncheck the box to Transfer Positions from Independent when available.

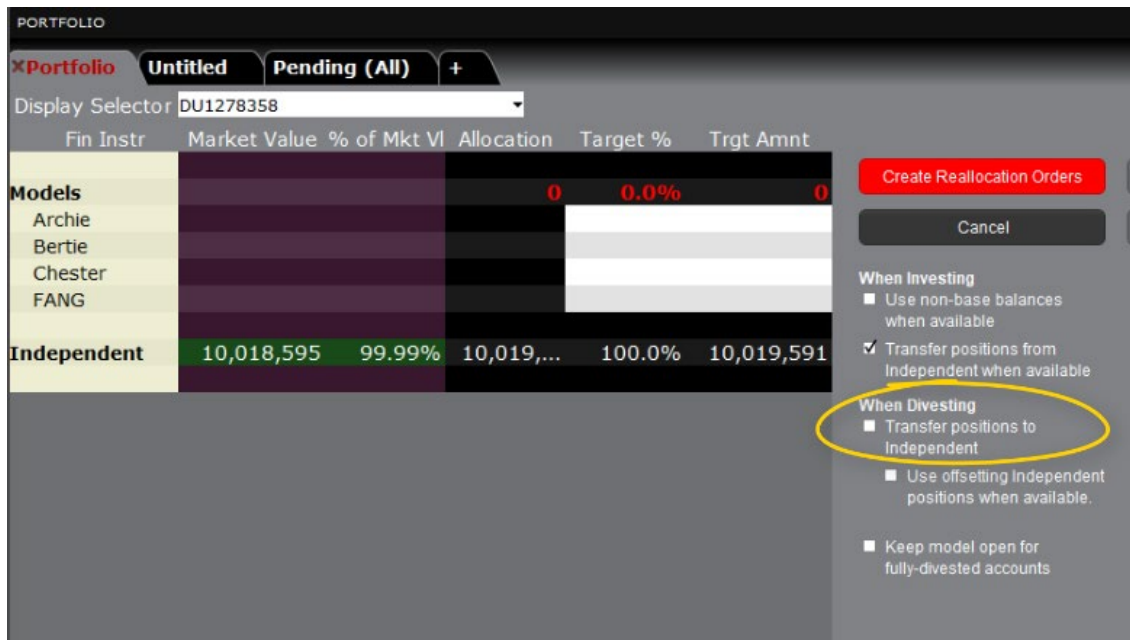


Make desired changes to Order types and Limit Prices if necessary, before clicking the blue Transmit All button to send your orders.

Divesting

When Divesting from a Model Portfolio, the Advisor may be eliminating or reducing the weighting of a position yet does not want to actually sell the shares from the client's portfolio.

- In the Reallocation screen, check the box to Transfer Positions to Independent.



- This will simply transfer the holding from the Model to the Independent.
- If left unchecked, it will transfer and close positions.
- Note also that when you close out of a Model Portfolio, it will completely disappear from the display.
- To prevent this, check the box to Keep Model open for fully divested accounts.

PORTFOLIO

X Portfolio **Untitled** Pending (All) +

Display Selector DU1278358

Fin Instr	Market Value	% of Mkt VI	Allocation	Target %	Trgt Amnt
Models			0	0.0%	0
Archie					
Bertie					
Chester					
FANG					
Independent	10,018,595	99.99%	10,019,...	100.0%	10,019,591

When Investing

- Use non-base balances when available
- Transfer positions from Independent when available

When Divesting

- Transfer positions to Independent
- Use offsetting Independent positions when available.
- Keep model open for fully-divested accounts

Create Reallocation Orders

Cancel