



SMA & Model Portfolio Working Glossary

2026

FOREWORD

Nicsa is proud to foster collaboration across the asset and wealth management industry and help member firms navigate an increasingly complex marketplace. The SMA & Model Portfolio Working Glossary reflects what our community can accomplish together.

Separately managed accounts and model portfolios play an important role in delivering personalized investment solutions. However, the terminology describing their structures, participants, processes, and capabilities can vary across firms and platforms. A shared understanding is essential for clear communication and productive industry dialogue.

Developed by Nicsa's SMA & Model Portfolio Committee, this glossary provides practical definitions across five areas: Advisory Program Fundamentals; Asset Allocation and Model Portfolios; SMA Basics; Tax Management; and Fees & Regulatory. It serves as an accessible reference for professionals seeking to better understand managed account programs.

The glossary reflects current industry practices and is intended to evolve alongside changes in the marketplace, technology, and regulatory environment.

This project was led by committee co-chairs Brian Reilly of Manulife John Hancock Investments and Melissa Cross of Allspring Global Investments, with Scott Smith of Cerulli Associates and Rick Murad of T. Rowe Price serving as project leads.

We thank Brian, Melissa, Scott, Rick, and all committee members who contributed their time, knowledge, and perspectives. Their efforts demonstrate the value of creating practical resources that benefit the broader industry.

We invite you to use this glossary as a foundation for continued education, discussion, and collaboration in support of the future of managed accounts.

A handwritten signature in black ink, reading "Jim Fitzpatrick". The signature is fluid and cursive, with the first name "Jim" and last name "Fitzpatrick" clearly legible.

Jim Fitzpatrick
President & CEO, Nicsa

Section 1: Advisory Program Fundamentals

Advisory Program Platform Provider Types

Topic	Definition
Broker / Dealers	The investment advisory arms of traditional broker-dealers are the most common sponsors of advisory programs. Example firms include Morgan Stanley, Merrill Lynch, LPL, and Ameriprise.
Managed Account Program Sponsor (Sponsor)	A firm or individual who establishes, organizes, or administers a Managed Account Program. The Sponsor's responsibilities typically include, but are not limited to, defining the program's rules, selecting the managers, models, strategies, or other investment options that are available to investors participating in the program, as well as ongoing program oversight and administration. Sponsors may include Broker/Dealers, Banks / Bank Affiliates, Turnkey Asset Management Platforms (TAMPs), and Independent Registered Investment Advisers.
Turnkey Asset Management Program (TAMP)	TAMPs offer advisory programs to Registered Investment Advisors (RIAs) as well as advisors affiliated with a Broker/Dealer (B/D) where the B/Ds' available advisory programs are not the optimal solution for one or more client portfolios. Often used by advisors affiliated with independent B/Ds, Envestnet, AssetMark, SEI, and Orion are examples of firms in the TAMP category.

Section 1: Advisory Program Fundamentals

Managed Accounts / Advisory Programs Types

Topic	Definition
Managed Accounts / Advisory Programs	Investment programs in which a financial advisor, investment manager, or other authorized party provides ongoing portfolio management for a client in accordance with the client's investment objectives, risk tolerance, and account agreement. Programs may differ by account structure, investment options, degree of customization, and whether investment decisions are made on a discretionary or nondiscretionary basis.
Model Portfolios / Asset Allocation Model Portfolios (AAMP)	Asset allocation strategies aimed at providing advisors with a full or partial portfolio solution comprised of several investment strategy components. • Multi-style strategies generally comprise a combination of investment vehicles, such as exchange-traded funds (ETFs), mutual funds, and increasingly SMAs. • The model normally provides the asset allocation and an outline for the underlying investment vehicle/strategy selection. • They are provided by a range of firms, including broker/dealers (B/Ds), turnkey asset management providers (TAMPs), asset managers, and boutique strategists. • When the AAMP provider is an asset manager, the AAMP is delivered to the sponsor as a model of security identifiers and target weights. The sponsor retains investment discretion and controls client account implementation. • Models can also take the form of "completion portfolios", which focus on a given asset class such as all equity or all fixed income portfolios.
Mutual Fund or ETF Advisory Program/Wrap Account (MFA/ETFA)	Advisory programs designed to systematically allocate investors' assets across mutual funds and/or ETFs. Portfolios are generally constructed with a strategic asset allocation focus or specific goal, such as income. Generally used at the lower end of the wealth spectrum. "Robo-advisor" programs generally fall into this category.
Rep as Advisor (RA)	Client nondiscretionary advisory accounts in which the advisor must obtain client approval each time a change is made to the account or its investments.

Section 1: Advisory Program Fundamentals

Managed Accounts / Advisory Programs Types (Continued)

Topic	Definition
Rep as Portfolio Manager (RPM)	Advisor discretionary programs in which financial advisors act as money managers for their clients by taking full responsibility for selecting portfolios of securities. The advisor has discretion over these accounts. Advisors may be required to complete training or meet certain criteria to qualify for participation in the programs. These requirements are determined and monitored by the advisor's home office. There is often both a senior- and junior-level version of the program, differentiated by how much flexibility the advisor is given in building portfolios.
Separately Managed Account (SMA)	A portfolio of individual securities that the client directly owns but that is invested, traded, and administered by professional money managers on behalf of an advisor for the benefit of the advisor's client. The managers of these strategies are referred to as the "model provider" or "model manager", though financial advisors sometimes use the term "sub-advisor" when referring to the strategy's investment manager.
Unified Managed Account (UMA)	Advisory programs in which multiple investment vehicles—such as SMAs, mutual funds, ETFs, and rep-selected individual securities—are used to build client portfolios in a single account. UMA programs began as home-office discretionary programs, but many have added shared discretion with advisors to broaden their appeal. SMAs can be manager traded or model delivered. The portfolios are geared toward an investment objective, such as strategic asset allocation or income.
Unified Managed Household (UMH)	The unified managed household takes all assets, accounts, and holdings from a client's household and coordinates them to pursue the best possible net, after-tax financial return. This can include minimizing taxes through asset location, tax-loss harvesting, and intelligent rebalancing. The UMH also considers income from less traditional sources, such as Social Security, to create a complete revenue picture for the household. It does not merely aggregate accounts in one place; it manages them efficiently under a coordinated financial plan to maximize outcomes, often using a variety of program and account types.

Section 1: Advisory Program Fundamentals

Operational Basics

Topic	Definition
Asset Allocation	The targeted portfolio mix of equities, fixed income, and other investments agreed upon by advisors and clients to best fulfill clients' investment objectives. It is often influenced by risk-tolerance scoring and documented in an Investment Policy Statement.
Completion Funds	Investment solutions designed to complement an investor's existing holdings by filling identified gaps in asset-class, sector, style, factor, or other portfolio exposures. They are used alongside existing investments to help align the overall portfolio more closely with its target asset allocation or investment model.
Customization	The process of modifying an SMA or model manager's recommended portfolios to reflect the investment preferences of B/D or RIA firms or practices for use across multiple clients. Common customizations could include alignment with home-office specifications, manager requests, demand for open architecture, and incorporation of passive strategies, among others.
Discretion	The authority granted by a client to an advisor or investment manager to make investment decisions and execute transactions within the client's account without obtaining approval for each individual transaction. The scope of discretion may vary depending on the advisory program and client agreement.
Investment Options	Advisory programs can support a wide array of investment types, depending on program-level limitations and client needs. ETFs, mutual funds, SMAs, and individual securities are widely used as the underlying investment vehicles, with platforms increasingly including illiquid and semi-liquid options.
Investment Restrictions	Limitations most often introduced by clients to preclude investment in specific securities, industries, credit quality, etc. for a variety of reasons.

Section 1: Advisory Program Fundamentals

Operational Basics (Continued)

Topic	Definition
Minimum Account Size	Advisory program minimum account sizes vary from as little as \$10,000 for automated MFA/ETFA programs to \$500,000 or more for some UMA or SMA programs.
Personalization	Modifying recommended portfolios based on the unique circumstances of a single client. Common personalizations address ESG concerns, tax optimization, concentrated positions, held-away assets, and various other household-level circumstances.

Section 2: Asset Allocation and Model Portfolios

Model Marketplaces

Platforms through which advisors can access and implement model portfolios from a variety of managers.

Topic	Definition
Broker-Dealer Advisory Platforms	Platforms offered by traditional broker-dealer firms that provide access to proprietary models, with some also offering models from asset managers and third-party providers.
TAMPs / Managed Account Technology Providers	Technology vendors that provide operational infrastructure—such as portfolio accounting and performance reporting—for wealth management advisory platforms. These firms seek to manage middle-office operations for clients, and making model portfolios available is an extension of those services.

Model Providers

Topic	Definition
Advisory TAMPs	In-house investment teams at turnkey asset management platforms (TAMPs) or discrete managed account technology providers. Examples include SEI Investments, AssetMark Advisory Services, and Envestnet PMC.
Asset Managers	Providers of investment products—such as mutual funds, ETFs, and separate accounts—that offer asset allocation model portfolios and whose aggregate model portfolio assets contain allocations of at least 10% to proprietary investment products. Examples include BlackRock, Capital Group, and PIMCO.

Section 2: Asset Allocation and Model Portfolios

Types of Models

Topic	Definition
Custom Models	Models created for specific broker-dealers or RIAs at their request for use across multiple clients. These models usually require an expected commitment of a certain level of assets. Common customizations may include alignment with home-office specifications, manager requests, demand for open architecture, and incorporation of passive strategies, among others.
Completion Models	Model portfolios that address specific elements of an entire portfolio, such as all the fixed-income components, and are intended to be used in combination with other investment solutions.
Models of Alternatives	Typically structured as investment objective completion model portfolios that provide advisors with allocation guidelines for diversified private-markets exposure. These models generally include fund recommendations but are largely designed as paper models, meaning implementation remains the advisor's responsibility. Some managers are seeking to build model-delivered solutions that can be implemented by an overlay manager within a UMA.
Rebalancing	Transactions initiated to return a portfolio to its targeted asset allocation after market activity or cash flows have affected the portfolio.
Strategic Asset Allocation Models	Long-term asset allocation strategies that rebalance periodically. They may make a limited number of short-term changes in response to major market events. The models typically recommend specific allocations to asset classes and specific underlying packaged products.
Tactical Asset Allocation Models	Opportunistic models that take an unconstrained approach to asset allocation. They typically make short-term changes based on market conditions, potentially as frequently as weekly. The models generally recommend specific allocations to asset classes and specific underlying packaged products.

Section 3: SMA Basics

Topic	Definition
Asset Allocation Model Portfolios (AAMP)	Asset allocation strategies aimed at providing advisors with a full or partial portfolio solution comprised of several investment strategy components. • Multi-style strategies generally comprise a combination of investment vehicles, such as exchange-traded funds (ETFs), mutual funds, and increasingly SMAs. • The model normally provides the asset allocation and an outline for the underlying investment vehicle/strategy selection. • They are provided by a range of firms, including broker/dealers (B/Ds), turnkey asset management providers (TAMPs), asset managers, and boutique strategists. • When the AAMP provider is an asset manager, the AAMP is delivered to the sponsor as a model of security identifiers and target weights. The sponsor retains investment discretion and controls client account implementation.
Direct Indexing (Custom Indexing)	Direct indexing is a passive investment approach delivered through a manager-traded SMA. These portfolios generally share three key characteristics: passive market exposure, personalization, and tracking-error management. Equity portfolios typically seek to track an established or blended index, while fixed-income portfolios may use a bond ladder. Rather than seeking excess returns, the primary objective is market exposure. Portfolios may be personalized to address an individual client's tax considerations, investment preferences, or ESG criteria. Providers use technology and algorithmic processes to implement these preferences while managing tracking error relative to the selected index.
Manager-Traded SMA	SMA platforms in which the asset manager retains investment discretion and controls the trading and implementation of end-investor client accounts. In manager-traded SMA programs, the end-investor client may contract exclusively with the program sponsor through a single-contract SMA or contract directly with both the sponsor and the asset manager through a dual-contract SMA.
Manager-Traded: Dual-Contract SMA	An SMA program in which the end-investor client enters into two investment advisory agreements: one with the program sponsor and one directly with the asset manager. Dual-contract programs typically provide access to a wide selection of asset managers. The asset manager has visibility into end-client accounts, retains investment discretion, and controls trading and implementation.

Section 3: SMA Basics

Topic	Definition
Manager-Traded: Single-Contract SMA	A subadvisory SMA program in which the end-investor client contracts exclusively with the program sponsor, while the program sponsor contracts with asset managers. The asset manager has visibility into end-client accounts, retains investment discretion, and controls trading and implementation.
Model-Delivered SMA	Typically, a single-style SMA strategy comprising individual securities and delivered to sponsors as a model of individual security identifiers and target weights. In a model-delivered SMA, the sponsor retains investment discretion and controls client-account implementation, often through an overlay portfolio management team that uses technology and algorithms to execute trades, manage deviations from the model, and address client-specific considerations such as taxes and personalization requests.
Model-Delivered Solutions	Platforms through which an asset manager provides the sponsor with a model of security identifiers and weights. The sponsor retains investment discretion and controls the implementation of end-investor client accounts, often through an overlay portfolio management team that uses technology and algorithms to execute trades, manage deviations from the model, and address client-specific considerations such as taxes. Model-delivered solutions may be single-style strategies comprising individual securities—a model-delivered SMA—or multi-style strategies comprising multiple underlying products—asset allocation model portfolios. In model delivery, asset managers do not have visibility into end-client accounts.
Multiple Style Account (MSA)	An SMA portfolio encompassing multiple investment styles within a single account. MSAs differ from traditional single-style consultant program separate accounts because multiple asset classes and investment styles can be combined in one account, consolidating the processes that would otherwise require establishing multiple accounts to access multiple investment disciplines.
Overlay	The goal of overlay management is to simplify, centralize, and systematize a process that has occurred throughout the fee-based industry for years. In its most basic form, overlay management facilitates the acceptance of model portfolios and their execution within client accounts. Originally, the benefit of overlay was to systematically realize the tax management features of SMAs, such as ongoing tax-loss harvesting and client restrictions. The overlay process sits between the intellectual capital of the asset manager—the model portfolio—and the client account. This allows client-specific information, such as tax budgets and other investment positions, to optimize how the recommended model portfolio is applied to the client's account.

Section 3: SMA Basics

Topic	Definition
Overlay Manager	The party responsible for overlay implementation, including coordinating trading, tax management, and investment restrictions to manage the portfolio effectively.
Separately Managed Account (SMA)	A portfolio of individual securities that the client directly owns but that is invested, traded, and administered by professional money managers on behalf of an advisor for the benefit of the advisor's client. The money managers are often called subadvisors because they are selected by the advisor and therefore act in a secondary—or subordinate—capacity.
Tax-Loss Harvesting (TLH) / Tax-Lot Management	Recognizing tax losses on an ongoing basis to offset future capital gains. This process is increasingly moving from manual harvesting to more automated systems that can be customized for factors such as frequency, portfolio drift, and replacement securities.
Wash-Sale Monitoring	Ensuring that transactions do not trigger the Internal Revenue Service (IRS) wash-sale rule by selling securities at a loss and purchasing the same or a substantially identical security within a 31-day window. This is an important part of tax management because violating the rule can prevent the investment loss from being recognized for current tax purposes.

Section 4: Tax Management

Topic	Definition
Asset Location	Taking advantage of the different tax treatments applicable to various account types across a household, such as qualified versus nonqualified accounts. This is most frequently accomplished by placing equities in taxable accounts, where capital-gains rates generally offer a lower tax burden, and/or overweighting fixed income in tax-deferred accounts. This can present a challenge because many compliance programs focus on account-level asset allocation.
Capital Gain Budget / Tax Budget	A predetermined amount of capital gains or associated taxes that a client is willing to incur in a given year as part of a tax-transition strategy or the ongoing tax management of the client's account.

Section 4: Tax Management

Topic	Definition
Concentrated Position Management	The process of diversifying the risk associated with one or more highly appreciated stock positions while minimizing the tax impact.
In-Kind Transfer	The act of funding or redeeming assets in an account by transferring existing portfolio securities from one account to another rather than liquidating the securities and transferring the resulting cash. In-kind transfers can help clients avoid creating taxable events when adding or removing assets from accounts.
Multi-Account Rebalancing	Taking a household-wide view of asset allocation and coordinating rebalancing activity across multiple accounts.
Social Security Optimization	Assisting clients in selecting the most appropriate timing and strategy for Social Security distributions in accordance with their retirement goals. It is currently uncommon for wealth managers to have an integrated capability; this service is more frequently provided through a standalone tool with limited precision.
Tax Alpha	The incremental net benefit realized by a client that is attributable to tax-management activities undertaken during the ongoing management of the client's portfolio, compared to a portfolio that is not tax managed.
Tax-Aware Investing / Tax-Aware Rebalancing	Choosing tax-efficient investment vehicles—such as municipal bonds, ETFs, and SMAs—and managing the recognition of gains and losses. This may include holding a security until a short-term gain becomes a long-term gain.
Tax-Efficient Transitions / Transition Management	Reducing the tax impact when assets move from one recommended portfolio to another containing different securities, most often following a manager change or when constructing a new portfolio. This may involve a multiyear process with a designated capital gain budget for each year.
Tax-Loss Harvesting	Recognizing investment losses on an ongoing basis to offset capital gains. This process is increasingly moving from annual or manual harvesting to automated systems that can be customized based on factors such as frequency, portfolio drift, and replacement securities.

Section 4: Tax Management

Topic	Definition
Tax Optimization / Householding	The process of assessing all assets, accounts, and holdings across a client's household and coordinating them to pursue the best possible net, after-tax financial return. This may include minimizing taxes through asset location, tax-loss harvesting, and intelligent withdrawals and/or rebalancing.
Tax Savings Documentation	Demonstrates the impact of tax-management services, often expressed in basis points or dollars saved. This documentation emphasizes the value delivered to clients through tax-management features such as tax-loss harvesting.
Tax-Smart Withdrawals	Minimizing the taxes associated with portfolio withdrawals through strategies such as account sourcing, tax-lot management, and transaction timing.

Section 5: Fees & Regulatory

Fees

Topic	Definition
Advisory Fee / Wrap Fee	For providers of managed account platforms, the advisory fee is a core component of their pricing strategy. The fee is generally shared by the advisor and the platform sponsor or broker-dealer. Under this model, the firm typically retains a portion of the fee and pays the balance to the advisor according to its payout grid. Compensation may be based on the advisor's overall assets, revenue generation, behaviors, and activity metrics. Fees vary significantly, with client assets generally being the largest determinant, but typically range from 50 to 150 basis points (0.50% to 1.50%).
Overlay Fee	A fee paid for overlay services and tax management of the portfolio. It typically ranges from 5 to 25 basis points.
Platform Fees	Fees assessed by advisory program sponsors or providers to support the expenses associated with operating their platforms. These fees generally range from 5 to 25 basis points or often take the form of a specific dollar for onboarding and/or quarterly or annual maintenance fees.
Product Fees	Fees charged by asset managers for the use of investment vehicles such as mutual funds, ETFs, and SMAs. Fees for pooled products—including mutual funds and ETFs—are assessed through the funds' expenses, while SMA fees are charged to the client's account or billed separately.

Section 5: Fees & Regulatory

Regulatory

Topic	Definition
Assets Under Advisement (AUA)	Financial assets for which a firm provides servicing, consultation, or advice but does not have direct discretionary investment authority. Investment decisions are typically made by the account owners. For example, a firm acting as an investment consultant or subadvisor and providing advice on fund selection or asset allocation may include those assets in AUA.
Assets Under Management (AUM)	Assets subject to continuous and regular supervisory or management services by a firm or advisor. The firm or advisor makes investment decisions regarding these assets or exercises some level of discretion over them. Model delivered SMA assets are not discretionary assets and therefore are considered AUA.
Form ADV	The registration and disclosure form used by investment advisers to register with the SEC or state securities authorities, as applicable. It includes information about the firm's business, services, fees, ownership, disciplinary history, and potential conflicts of interest. Registered advisers generally must submit an annual updating amendment within 90 days following the end of their fiscal year.
Investment Policy Statement (IPS)	Documentation of a client's investment objectives and the strategies used to pursue them. Risk tolerance, time horizon, liquidity needs, and asset allocation are generally key components of an IPS.
SEC Form 13F	A disclosure report of certain equity holdings filed by institutional investment managers that exercise investment discretion over at least \$100 million in Section 13(f) securities. Once the filing obligation applies, reports are generally due within 45 days after the applicable calendar quarter.
SEC Schedule 13G	A beneficial-ownership report generally used by certain investors that own more than 5% of a covered class of equity securities without an intent to control the issuer. Filing requirements and deadlines vary based on the filer's classification and ownership level. The SEC accelerated the applicable Schedule 13G deadlines beginning September 30, 2024.