

How Much Control Will I Have Over My Portfolio at Exchange?

By: Exchange Capital Management

September 2, 2022



Trying to find a wealth-management firm that fits your needs can be a daunting task. You need to assess if they are the right fit for you, how their pricing model works, and what they can do for your portfolio. While due diligence on an advisor and their pricing should be a priority, it is important to understand how asset management works within the firm. Will your account be discretionary or non-discretionary? Simply put, how much control will you have over your portfolio?

To some investors, this is extremely important. They know what they want in their portfolio and don't feel comfortable having someone else call the shots. To others, they'd rather buy back their time and pass along the responsibility of maintaining their accounts to a professional.

To decide which one works best for you, you'll have to understand what each means for your portfolio.

What is Discretionary Trading?

Discretionary trading is when a wealth management firm has complete control over your portfolio once you hire them. They research, buy, and sell securities without approval for each trade. This does not mean you don't have access to your account, it just means they don't require your explicit permission each time they trade or make changes to the composition of your portfolio. You will still be able to see what trades have taken place.

The benefit here is that your advisor can make trades swiftly and efficiently because they already have permission to trade. There is no delay when purchasing or selling securities. This also means the portfolio manager can make trading decisions swiftly, and without emotional attachment.

The disadvantage of discretionary trading depends on how much control you desire to have. For those who enjoy making trades and being the primary decision-maker, this would be a major downfall.

What is Non-discretionary Trading?

Non-discretionary trading puts more control into your hands. The advisor cannot buy or sell any securities without your explicit permission. You need to tell them exactly what you want and how much of it. The advisor can only provide advice and try to get you the best price. In these instances, they are more of a facilitator rather than a portfolio manager.

The same benefits and downfalls apply, but vice versa. Your advisor can't act as fast, but this leaves no questions on your end. You will have to explicitly give your permission before any transactions take place. This could be a benefit to you, or a negative, depending on your unique needs. Another potential disadvantage of a nondiscretionary relationship is that it might become a burden as you get older and your life changes.

How Does Exchange Operate?

We utilize discretionary trading with all our clients. In some cases, we will open a secondary account for you to make your own trades. This is dependent on how much control you would like. If you have a one-off stock preference or feel strongly against a particular stock, we will abide by any rules you explicitly state to us.

Most of our clients prefer to give us full discretionary authority though. Our in-house investment management team extensively researches any security we invest in and builds a portfolio in your best interest. This allows you to buy back your time, leaving you to live without the day-to-day worry that comes with investing.

Regardless of the level of control you would like to have, this is your money, and we strive to make sure you are comfortable and confident in your relationship with us.

The Bottom Line

While our clients have a discretionary relationship with Exchange, we do so with care. You have access to view any trading happening within your account and can make non-discretionary trades and place restrictions where necessary.

To learn how discretionary trading can work in your best interest, consider scheduling a discovery meeting with us. We would love to discuss why we have built our model around this type of trading.