



delap  
wealth advisory

# Money Management Lingo

---

April 2019

Jared Siegel | 503-697-4118   
jsiegel@delapwa.com   
delapwa.com 

Doctors write **prescriptions**. Auto mechanics perform **tune-ups**. Lawyers prepare **briefs**. Financial advisors help you manage your money. Ultimately, it's that simple. But like any other profession, we sometimes have a funny way of saying it.

Just as it's good to know that **Enter your PIN** doesn't mean you should jab a sharp object into your phone, understanding some of the "shoptalk" we use can help you manage your money more effectively, and hold more meaningful conversations with your advisor. Following are a few of the most common terms related to money management.

## ASSETS

Your assets are like the organs that sustain your financial being and feed your financial worth. Cash is the consummate asset, because you can do just about anything you want with it. That said, cash is **not** expected to generate future income unless you invest it in other assets, such as stocks, bonds, commodities, real estate, and similar holdings.

## MUTUAL AND EXCHANGE-TRADED FUNDS

You might own some assets directly, such as shares of stock, a rental property, or a gold bar. For efficient investing, it's common to own shares of mutual funds, exchange-traded funds (ETFs) or similar structures, which in turn hold batches of these underlying assets on your behalf.

## FUND MANAGERS

Fund managers such as Dimensional Fund Advisors or Vanguard provide and manage the mutual funds and ETFs in which you invest. Each manager typically offers a varied "family" of funds representing different batches of assets – such as funds for investing in domestic, international or emerging markets stocks; funds for investing in short-term bonds; funds for investing in Real Estate Investment Trusts; and so on.

## INVESTMENT ACCOUNTS

Investment accounts are "containers" for holding your mutual funds, ETFs and various types of individual assets. Accounts are typically "regular/taxable," or "tax-advantaged," with different tax treatments depending on the type of account. Taxable accounts are basically any accounts that are **not** subject to special tax treatment. Tax-advantaged accounts include structures such as IRAs, Roth IRAs, HSAs, 401(k)s, and 529 plans.

## YOUR CUSTODIAN AND BROKER/DEALER

Custodians hold your investment accounts on your behalf. Your custodian also periodically reports account activities to you, typically monthly. Here at Delap Wealth Adviosry, Charles Schwab typically serves these essential roles, including submitting their independent reports directly to you for your review.

***Note: We strongly recommend ensuring your financial advisor is never also your custodian. If your advisor is responsible for managing your investments AND they are the only source for reporting the results to you, it makes it too easy for the criminally minded to hide their malfeasance by sending you fake reports. Think Bernie Madoff.***

## INVESTABLE ASSETS

Investable assets are assets that are already part of, or readily available to add to your investment portfolio. Money currently “tied up” in your home, business or similar ventures is certainly of worth to you, but it’s not considered an investable asset when it’s already being used to fulfill other important roles. Future income from your career, the future sale of a business, or similar sources of expected income are not yet investable assets either – not until you’ve received the money, and set some of it aside for investing.

## YOUR INVESTMENT PORTFOLIO

Combine all your accounts containing all your investable assets (no matter what kind they are or where they’re held), and that’s your investment portfolio.

## ASSETS UNDER MANAGEMENT

For some of your accounts, our services are twofold: We advise you on how to invest the assets within your total portfolio, plus we serve as a liaison with your custodian to facilitate account management – such as set-up, closure, transfers and trades. For these accounts, we include their assets in your **Assets Under Management (AUM)**, upon which our advisor fees are typically based. For other accounts, such as your company 401(k) or a direct-sold 529 plan, another provider may already be managing account transactions for you. We still include these assets in our ongoing advice, portfolio management, performance reports, and financial planning services. But they are typically excluded from your AUM totals.

## WANT TO KNOW MORE?

Now that you’re getting the hang of some of our specialized lingo, what else can we answer for you? As a fiduciary advisor, responsible for serving investors’ highest financial interests, we consider it our privilege and duty to not only help you manage your money, but to help you actually understand what we’re talking about when we do.

Source: Dimensional Fund Advisors LP.

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Diversification does not eliminate the risk of market loss.

There is no guarantee investment strategies will be successful. Investing involves risks, including possible loss of principal. Investors should talk to their financial advisor prior to making any investment decision. There is always the risk that an investor may lose money. A long-term investment approach cannot guarantee a profit.

All expressions of opinion are subject to change. This article is distributed for informational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services. Investors should talk to their financial advisor prior to making any investment decision.