

MORNINGSTAR BUYS STANDALONE REBALANCER TO FULFILL ITS ALL-IN-ONE VISION BY GETTING SHERYL ROWLING TO CASH OUT

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Advisors who use Morningstar Office can now stay in it to perform trades en masse instead of being toggled off into the lands of iRebal, Tamarac or RedBlack.

The ability to execute a trade in addition to conceptualizing it prompted Morningstar to buy Total Rebalance Expert (TRX) from FNA LLC after test-renting it for several months.

"We haven't allowed advisors to act," says Tricia Rothschild, head of global advisor solutions for Morningstar. "Now when you want to make a trade, you don't need to go somewhere else."

Folding rebalancing into performance reporting has become a must-have among independent software firm owners, according to Tim Welsh, president of Nexus Strategy, who had the opportunity to interact with those owners at last week's Junxure conference in Las Vegas.

All of them, he says, are eager to close such a deal.

"Similar to Tamarac, Advent Software and Envestnet Inc., all the big players are going for the complete stack — CRM, portfolio management, rebalancer, financial planning, etc."

One of the main drivers of that vision is Dermot O'Mahony, former senior vice president of products for HelloWallet of Washington D.C., which Morningstar Inc. acquired in 2014. HelloWallet helps employees budget, save and make good use of their benefits.

The Morningstar-TRX deal will close next month. **ECHELON Partners** advised on the deal on behalf of TRX.

ALL THE RAGE

This new technology vision is being executed on behalf of the 2,800 RIA firms that use Morningstar's portfolio accounting software.

It's an effort that began when Morningstar bought ByAllAccounts in Woburn, Mass. in April 2014.

Morningstar charges extra for account aggregation and rebalancing capabilities.

Founded in 2008, TRX was a latecomer to the rebalancing landscape but found a niche by being relatively inexpensive and particularly good for advisors who do tax planning. Today, more than 500 financial advisors from 175 firms use it to rebalance more than \$20 billion in client assets.

METRICS STILL TO COME

Sheryl Rowling, CEO of FNA and principal of San Diego-based Rowling & Associates LLP and founder of TRX, allows that her company's software had begun to hit a ceiling — one she's hoping to punch through with Morningstar's help.

"Morningstar has the resources to take TRX to the next level by combining it with the company's proprietary research and data," she said in a release.

But the full practical realization of that vision will take years.

"In the future, Morningstar plans to add other important metrics, such as its investment valuation, risk factors, and real-time pricing, to the rebalancing capability," Rowling adds.

Rowling will continue to run her RIA and work for Morningstar part time. Morningstar plans to incorporate the TRX capability into its advisor offerings and will also continue to offer it as a standalone platform.

In June, Morningstar announced it was integrating the TRX rebalancing capabilities into Morningstar Office.
