Defining Asset Consolidation

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In personal finance, there's a common misconception that diversification means having several accounts at different institutions or with multiple advisors, and so many people keep their assets spread out unnecessarily complicating their financial lives. In truth, diversification refers to the asset allocation of investments within your portfolio, not where you hold them. So, in general, it's better to consolidate investments into fewer accounts with one advisor or investment manager. This is called asset consolidation.

Asset consolidation refers to the process of combining or merging various assets and accounts. The primary goal is to streamline and optimize the management of these assets, creating a more cohesive and efficient portfolio. Asset consolidation has four main benefits. First is improved planning instead of juggling too many accounts and investments, consolidation allows you to centralize control with everything in one place. It's easier to see your full financial picture, which can help you make better financial decisions.

Asset consolidation also makes it easier to implement portfolio changes like buying and selling investments. And it simplifies record keeping because working with few institutions means fewer monthly statements and tax documents. Consolidating can also help reduce your total fees. In general, the more assets you hold with one provider, the more opportunities you may have to reduce or eliminate account fees, transaction costs, and administrative expenses.

Although the benefits of asset consolidation are compelling, the consolidation process can beintricate and time consuming. Transferring assets, updating legal documentation, and coordinatingwith various financial institutions require careful planning and execution. Before you make anymoves, talk to a financial professional to discuss the best strategy. Asset consolidation will lookdifferent for each investor, and an advisor can help you determine the first or next steps.
